

EUROPEAN NEWS

E German plea for Bonn help to Soviets

By David Marsh in Bonn

A STRONG call for Bonn to extend further credits to the Soviet Union to help economic recovery in east Germany was made yesterday by Mr. Kurt Biedenkopf, prime minister of the east German state of Saxony.

His plea, made in Dresden, came on the eve of a visit to Moscow starting today by two top Bonn civil servants charged with assessing the state of financial relations between Germany and the Soviet Union.

Mr. Horst Köhler from the Finance Ministry, and Mr. Dieter von Wurzen from the Economics Ministry will discuss with Soviet officials new credit lines being extended by Bonn to allow Moscow to buy goods from east German factories.

Mr. Biedenkopf, from Chancellor Helmut Kohl's Christian Democratic Union, said that massive Bonn spending on unemployment benefits for east German workers was useless when traditional markets in the east were withering fast.

His arguments in favour of a more interventionist industrial policy in the east have lately been finding broad favour in Bonn.

Mr. Jürgen Möllemann, the economics minister, won a promise from the Soviet Union in February for DM5bn (\$3bn) in new orders for east German companies to be backed largely by Bonn export credit guarantees.

An Economics Ministry official said yesterday that only DM1.4bn of the new contracts had been signed, although most of the rest was in the pipeline.



A Georgian boy in his father's arms waves the national flag outside the parliament building in Tbilisi yesterday

Yeltsin ally accuses him of neglecting reforms

By Judy Dempsey, East Europe Correspondent

MR Boris Yeltsin, the Russian leader, has spent too much time criticising President Mikhail Gorbachev and too little introducing land reform and private ownership in his republic, Mr. Anatoly Sobchak, the radical mayor of Leningrad, said yesterday.

"I frequently pressed Yeltsin to put in place legislation for land reform instead of arguing with Gorbachev," said Mr. Sobchak, who was elected mayor of Leningrad last June, and who is a member of Mr. Yeltsin's consultative council.

Speaking in London, the 33-year-old former law professor said Mr. Yeltsin would use the powers granted to him by the federation's parliament last week to dismantle the political base of the Communist party throughout the republic.

Mr. Sobchak believes he will press ahead with holding elections from local village mayor up to the post of president.

"The communists are still in control in the communes. They continue to block change," said Mr. Sobchak. "The political

Boris Yeltsin, leader of the Russian Federation, will meet senior members of the European Parliament during a visit there next week, a parliament spokesman said yesterday. Mr. Yeltsin will visit the parliament in Strasbourg from April 15-16 at the invitation of the International Politics Forum, a Paris-based political think-tank linked to the parliament's Christian Democrat group. He is due to meet the Parliament President, Mr. Enrique Barón, and address the parliament's socialists.

development of our country will depend on the creation of a multi-party system... If elections for an all-Union president were held today, Gorbachev would have no chance."

The leading role of the Communist party has been officially deleted from the constitution. But Mr. Sobchak, who quit the party last summer, said: "The law and reality are

two different things. The party still exercises power."

"I think our leaders made a great mistake last year at the 28th Congress [of the CPSU] by not splitting the party into two: a conservative, and a social democratic party."

He says the back of the Communist party could be broken through uniting all the democratic opposition movements. "We must establish a counter-weight to the communists. This social-democratic all-Union party would include people like Mr. Shevardnadze, [the former foreign minister], Mr. Stanislav Shatalin, [Mr. Gorbachev's former economic adviser] and other reformers," he said.

Efforts to establish a counter-weight to the Communist party could, however, be deflected by the price rises, which he said would bite at the end of the month, the relationship between central government and the republics, and the delay in setting up "new economic structures" to halt the collapse of the economy.

OECD says reforms would help Austria retain high growth

By Judy Dempsey, East Europe Correspondent

AUSTRIA'S economic growth will slow down this year, and in 1992, but the effects will be offset by higher oil prices, and Germany's growing demand for Austrian exports, according to the Organisation for Economic Co-operation and Development (OECD).

But the report warns the socialist-led coalition government must not allow any slippage in the timetable for introducing structural reforms in housing, pensions, privatisation, and reducing subsidies if the budget is to be consolidated.

In 1990, GDP grew by 4 per cent, making Austria one of the fastest growing economies of the OECD countries. However, during 1991 and next year, GDP is expected to grow by 3 per cent as a result of a fall in domestic demand.

The forecasts were concluded in February, before the end of the Gulf war, and the subsequent easing in oil prices. Private consumption is forecast to fall from 4.3 per cent in 1990 to 2.0 per cent in 1991, and continue to decline to 2.6 per cent in 1992. Nominal incomes will grow, but inflation, caused by higher oil prices, is likely to dampen real income growth.

The OECD expects inflation will rise from 3.3 per cent in 1990 to 4.3 per cent in 1991, but will fall back to 3.8 per cent in 1992. Despite these trends, the OECD recommends that the Austrian government must not be deflected from reducing the budget deficit and introducing structural changes. In addition, it says further de-regulation must have a high priority on the economic agenda.

In 1997, in response to slack growth rates in the 1980s, heavy losses by the State-

owned industries and lack of competition in the economy, the socialist-led coalition government adopted a medium-term budget consolidation programme. It aimed at reducing the net federal deficit from 3.2 per cent of GDP in 1988 to 2.5 per cent by 1992. Last year, the budget deficit had fallen to 2.9 per cent of GDP.

The government, which was re-elected last October, also introduced the first phase of a cautious privatisation programme. Despite the impressive decline in the budget deficit, the OECD points out that this consolidation has not been matched by consistent structural reforms in the economy. "Much of the progress so far has resulted from buoyant economic activity rather than from structural improvements in the budget, and from substantial privatisation proceeds," the OECD states.

However, the report acknowledges the government's successful attempts at reforming the fiscal system, as well as turning around the OIAG, the former holding company for the state-owned industrial sector, from a loss-making group into profit.

It also welcomes the government's decision to eliminate short- and long-term interest rate differential vis-a-vis Germany, which strengthens Austria's hard currency policy. The schilling is tied to the Deutschmark.

But the OECD makes a plea for more de-regulation and fewer subsidies. Federal and general government subsidies totalled Sch77.7bn (\$8.7bn) or 4.3 per cent of GDP, while subsidies to enterprises and agriculture amounted to Sch28bn, about 1.7 per cent of GDP.

Moscow begins troop pull-out from Poland

A SOVIET missile brigade yesterday pulled out of the military base of Borne-Sulimow in north-western Poland to set in motion the withdrawal of Moscow's 50,000 troops from the country, agencies report.

Some 50 soldiers with mobile missile launchers and armoured vehicles were in a 20-wagon train that began the process, disagreements over which have severely strained Polish-Soviet relations.

With Soviet troops already poised to complete pull-outs

from Czechoslovakia and Hungary, Poland is the only country in eastern Europe which has not secured a deal on withdrawal terms.

General Viktor Dubynin, commander of Soviet forces in Poland, has said that there should be a Soviet troop presence until the end of 1993 to support the withdrawal of 380,000 Soviet soldiers from the former east Germany.

Gen Dubynin also made the first public confirmation that nuclear weapons had been deployed in Poland. He said

all were removed by the first half of 1990.

Warsaw says it will be flexible on the deadline, but the date proposed by Moscow was not acceptable.

The withdrawal began in pouring rain following a ceremony in a railway siding that included speeches by Soviet and Polish generals and a Soviet garrison band playing the Soviet national anthem.

During months of tense negotiations, Poland has demanded that all approximately 50,000 Soviet troops

pull out by the end of 1991. The Soviets say they will not finally vacate Poland before the end of 1993.

Gen Dubynin also said that the final deadline for the Soviet departure would be agreed on by the "political leadership" of their countries.

Polish president Lech Walesa is expected to travel to Moscow in May to try to settle the issue in talks with Soviet president Mikhail Gorbachev. Feelings were mixed about the pullout among Poles living in the area of the spraw-

ling 90km wide base, built up around a small Second World War German barracks to become one of the largest military training areas in Europe.

One man said he regretted the end of illegal gasoline sales by the Soviet army to hard-pressed local farmers.

But Mr. Zygmund Lichwa, the Polish railway official in charge of the troop train, said: "Each country has its own army, which looks after its own borders. That is the way it should be."

CENTRAL BANK OF KUWAIT
ANNOUNCEMENT

The CENTRAL BANK OF KUWAIT announces the withdrawal of the Kuwaiti Currency Notes issued and placed into circulation up to August 1, 1990 and exchanging them for New Kuwaiti Currency Notes.

No exchange operation shall be implemented in respect of the Currency Notes for which the Amiri Decree No. 2/A of 1990 has been promulgated and that have been specified by the two Resolutions issued in this concern by the Minister of Finance (Cancelled Currency Notes), the details of which are as follows:

- | | |
|--|--|
| 1 - Denomination of Twenty Dinars:
from No. $\frac{CW}{9}$ up to No. $\frac{CW}{13}$; | من رقم جـو وحتى رقم جـو
$\frac{١٣}{٩}$ |
| 2 - Denomination of Ten Dinars:
from No. $\frac{CH}{70}$ up to No. $\frac{CH}{87}$; | من رقم جـه وحتى رقم جـه
$\frac{٨٧}{٧٠}$ |
| 3 - Denomination of Five Dinars:
from No. $\frac{CD}{18}$ up to No. $\frac{CD}{20}$; | من رقم جـد وحتى رقم جـد
$\frac{٢٠}{١٨}$ |
| 4 - Denomination of One Dinar:
from No. $\frac{CC}{47}$ up to No. $\frac{CC}{53}$; | من رقم جـج وحتى رقم جـج
$\frac{٥٣}{٤٧}$ |
| 5 - Denomination of Half Dinar:
from No. $\frac{CB}{30}$ up to No. $\frac{CB}{37}$; | من رقم جـب وحتى رقم جـب
$\frac{٣٧}{٣٠}$ |
| 6 - Denomination of Quarter Dinar:
from No. $\frac{CA}{54}$ up to No. $\frac{CA}{68}$; | من رقم جـأ وحتى رقم جـأ
$\frac{٦٨}{٥٤}$ |

The Exchange of the New Currency Notes for the Notes withdrawn from circulation shall be conducted at the Central Bank of Kuwait and the Banks operating in Kuwait. The Currency Exchange Program shall be implemented in accordance with the controls and procedures set out by the Central Bank of Kuwait.

The Exchange Period starts as effective from 24/3/1991 up to 30/9/1991. But, upon the expiry of the first FORTY FIVE days of this specified period (i.e. on 7/5/1991), the Currency Notes withdrawn from circulation shall cease to be legal tender for the State of Kuwait and dealing with them shall be forbidden.

Meanwhile, holders of these Currency Notes shall have the right to have them exchanged at the cash windows of the Central Bank of Kuwait, to be founded at the Banks operating in Kuwait up to 30/9/1991. No exchange operation shall, under any conditions, be concluded upon the expiry of this period.

Holders of such Notes outside the State of Kuwait can present their holdings of Kuwaiti Currency Notes withdrawn from circulation to any of the Banks operating in Kuwait - whether through their branches operating outside Kuwait, or through their correspondents - within the period as effective from 24/3/1991 up to 30/9/1991.

These Notes shall be exchanged at face value. The relevant amounts of the Notes shall be deposited in the accounts of the concerned foreign banks with the Kuwaiti Banks.

EUROPE IN BRIEF



Brussels aid probe aim widens

Inquiries by the European Commission into possible illegal state aid for Bull, the computer manufacturer, and Thomson, the defence and electronics group, will include an assessment of the impact on EC competitors, writes Andrew Hill in Brussels.

The Commission yesterday confirmed that it had begun the first stage of examining the French government's proposed FF8bn (\$1.1bn) injection of new capital for Bull and Thomson.

It intends "to determine whether it contains state aid or represents the normal unaided provision of equity capital by a shareholder acting under normal market conditions".

The French authorities have been asked for full details of the capital injections. These which they have to supply within 15 working days. A formal inquiry will follow if the Commission decides the injections constitute state aid, and this will look at the effect of the aid on Bull and Thomson's competitors in the Community.

If the Commission then decided the proposed aid was illegal, it could warn the French government not to go ahead with the capital injections, which are planned for later this year.

Michelin sheds more jobs

Michelin, the world's largest tyre maker, is planning to shed an extra 4,900 jobs in France, a tenth of its workforce there, in its fifth and largest round of job losses in recent years, writes William Dawkins in Paris.

This is the main part of a 15 per cent overall reduction of the 130,000-strong company is seeking from its main industrial centres across the world, said officials.

Michelin, dogged by falling prices and demand in a tyre industry suffering from substantial overcapacity, estimates that it lost slightly less than FF2.3bn (\$400m) last year - below earlier forecasts, but before an as yet unquantified exceptional change for the job reductions, said an official.

The cuts are designed to put the loss-making group on track to break even by the second half of this year. Michelin is seeking 4,350 redundancies out of the 4,900 job losses, with the rest to come from natural departures.



Mr. Alexander Bessmertnykh (left), the Soviet foreign minister, held talks with President Borisav Jovic of Yugoslavia in Belgrade yesterday before leaving for a two-day official visit to Athens. He will meet the Greek prime minister, Mr. Constantine Mitsotakis today. It is the first visit by a Soviet foreign minister to Greece since 1956.

Of the total, 2,432 jobs will be lost from the workforce at Clermont-Ferrand, where the number of Michelin workers has fallen from 30,000 to 18,000-strong since 1983. Another 1,222 will come from factories in Orleans and Bourges.

Treaty ignores Moscow

Romania and the neighbouring Soviet republic of Moldova agreed to draw up a trade cooperation treaty that bypasses Moscow, Reuter reports from Bucharest.

Agreement to draft the trade and economic cooperation treaty was reached in talks between Prime Minister Petre Roman and Mr. Nicolae Tila, visiting Moldovan foreign minister, the official Romanian news agency Romspre said.

Romania and the Soviet Union last week signed a new treaty of friendship which opened the way for Romania to deal directly with the 15 Soviet republics.

Moldova includes former Romanian territory seized by the Soviet Union in 1940 and has a Romanian majority. The republic's president last year declared sovereignty and has said it wants to make the region an independent state.

Bulgarian students protest

Students in the Bulgarian town of Rousse began a sit-in at their university to support calls for early general elections, Reuter reports from Rousse, Bulgaria.

"We want parliament to resign immediately and new parliamentary elections in June," Mr. Plamen Yonchev, a student leader said.

The students backed the main opposition Union of Democratic Forces which said on Monday that its members would quit parliament on April 19 unless elections were set for June.

An all-party caretaker administration has been set up to lead the country to new elections this year. The majority Socialists, who succeeded the Communists,

have proposed only local elections for June with parliamentary elections being held in September.

Greek tourist die in fire

Thirty-six Greek tourists, including five children, were killed when fire roared through their bus in Istanbul, Reuter reports from Istanbul.

The Greek bus driver, Mr. Antonis Molas, 36, said an arsonist had set the vehicle alight with petrol.

There was no immediate confirmation that the Istanbul fire brigade chief gave a different account, saying the fire began in a kitchenette on the bus and spread towards passenger seats and the driver's cab.

Sweet music

French musician Mr. Pierre Amoyal recovered his Stradivarius violin that was stolen four years ago and promised to reward the Italian police by playing it in their honour, Reuter reports from Turin.

He flew to Turin to verify the authenticity of the 1717 violin which had been insured for the equivalent of \$1.7m when it was stolen.

The Financial Times (Europe) Ltd. Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Oudendijkstrasse 34, 6000 Frankfurt-am-Main 1, Telephone: 069-75980; Fax: 069-72267; Telex 416193) represented by E. Hugo, Frankfurt/Main, and, as member of the Board of Directors, E.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurt Societäts-Druckerei GmbH, Frankfurt/Main. Reprint: editor: Richard Lambert, Financial Times, Number One Southway Bridge, London SE1 9NL. The Financial Times Ltd, 1991.

Registered office: Number One Southway Bridge, London SE1 9NL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholder: The Financial Times Limited, The Financial News Limited, Publishing director: R. Hughes, 161 Rue de Rivoli, 75004 Paris Cedex 01. Tel: (01) 4377 0621; Fax: (01) 4377 0629. Editor: Richard Lambert. Printer: Nord Soler, 15721 Rue de Cour, 59100 Roubaix Cedex 1, France. ISSN: 1148-2733. Commission Paritaire No 678080.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 925335.



Meyer: conciliatory head of trade union federation

Unions now the loyal opposition in east Germany

THE trade unions in Leipzig said yesterday they would not, for the foreseeable future, be organising any more Monday unemployment demonstrations. The announcement came after this week's smaller and more subdued demonstration, which included a one minute silence for the murdered Mr Detlev Rohwedder, head of the east German Trenthand agency, honoured today with a state funeral in Berlin.

The unions had not been alone in criticising the Trenthand but the Monday demonstrators were the loudest and angriest critics. Mr Franz Steinkühler, leader of IG Metall, called the Trenthand a "slaughterhouse" and was accused of preparing the pay-

is so conciliatory why have its 16 member unions been leading the protests in east Germany? And despite withdrawal from the Leipzig demonstrations, union-organised protests in east Germany will continue.

Mr Meyer accepts there is a "necessary contradiction" here. "It is a difficult situation for us but if we do not represent the feelings of our members then extremists will," he argues.

The takeover of the old east German unions by their west German equivalents is now complete. The DGB had been expecting east Germans to react against unions after their experience with Stalinist unions but to its surprise union membership - about 50 per cent of the workforce - is higher in the east than in the west.

With the Social Democratic opposition still weak the unions have become the unofficial opposition.

The DGB is not shouting about its success partly because it does not know how solid union support is. It is also having trouble making a reality of west Germany's complex labour laws, now operating in east Germany because of a lack of qualified union officials.

But DGB pressure has helped up retraining and job creation measures, helped extend Bonn money for short-time working, ensured that west German style redundancy pay-offs apply in the east, and will probably extract special provision for east Germany's long-term unemployed.

Some DGB officials also say, privately, that as a quid pro quo for backing the Bonn government's strategy in the east they will be expecting concessions on "anti-labour" laws, although Mr Meyer dismisses such speculation.

Mr Meyer is aware of the dilemma on pay levels: if harmonisation with west German levels comes too quickly it will be a disincentive to investment, if it comes too slowly skilled labour will move west.

The two big east German agreements, for metal workers and public service workers, which phase in equal wages by 1994 and 1995 respectively, have been criticised as foolishly generous. But Mr Meyer says that when the absence of fringe benefits and differences in working time are taken into account, real earnings in east Germany will remain 30 per cent below west German levels in the mid-1990s.

"This is necessary but is not something we publicise in Germany," he admits.

His sensitivity to east German psychology also causes him to worry that the new emphasis on state-backed restructuring of companies - rather than closing that which cannot be privatised - is again raising hopes of a painless transition. "I have never known a restructuring in west Germany without heavy job losses, we must not create a second wave of disappointment in the east," he warns.

DM500m injection for ailing companies

By David Goodhart in Bonn

EAST GERMANY'S two giant loss-making chemical companies, Leuna and Buna, are to receive DM500m (\$167m) in new investment, underlining the new priority to be given to restructuring rather than closing unprofitable companies.

The companies, which account for a large proportion of industrial jobs in the state of Saxony-Anhalt, will each receive DM250m in credits guaranteed by the Trenthand agency charged with supervising and selling off east German industry. Leuna is expected to cut its workforce from 20,000 to 15,000 before the end of the year.

Further help to build up an efficient public administration in east Germany was yesterday agreed in Bonn in the

form of extra financial incentives for west German public officials to work in the east.

According to Mr Hans Peter Stihl, head of the German Chambers of Commerce, more than 1m jobs have been created in east Germany in the past 18 months and DM250m in new investment from German and foreign companies has been pledged this year.

But foreigners remain cautious about east German acquisitions, according to the Trenthand, which said yesterday that only 50-60 of the 1,000 privatised companies had been bought by foreigners. The French remain top of the list the British are second.

Bonn yesterday also announced a 15 per cent rise in east German pensions.

Another German deficit

By Andrew Fisher in Frankfurt

GERMANY'S current account remained in deficit in February, as rising domestic demand after unification pulled in imports and kept exports depressed.

The federal statistics office reported a DM1.7bn deficit after DM2.1bn in January, the first time there had been no surplus for six years. In February last year, there was a DM8.3bn surplus.

Over the first two months, the current account was DM3.9bn in deficit against a DM18.7bn surplus a year earlier.

The trade surplus was only DM1.6bn in February compared with DM1.9bn in January and DM10.6bn in February last year. The January-February trade surplus was down to DM3.9bn from DM23.5bn, as imports rose 19 per cent and exports fell 3 per cent.

The sharp change in Germany's trade and current account performance is one of the clearest indications of the economic upheavals caused by unification. East German demand for consumer goods has buoyed domestic demand at a time when foreign orders have tended to weaken, as the world economy slows.

Britain and Ireland refuse to join continental producers in price warning to Brussels

By Andrew Hill in Brussels and William Dawkins in Paris

BRITISH AND Irish electricity suppliers have split from their continental European counterparts in a dispute over how to introduce competition into international power distribution.

The two countries refused to sign a paper agreed on Monday by continental members of Eurelectric, the industry's representative body, which warns that opening the EC market to greater competition could produce steep price rises and increase the risk of power cuts.

"Given that we have the [privatised] system that we have here, we are simply not able to sign that document," said a British industry official.

The paper, signed by continental Eurelectric members

including Switzerland and Austria, provides an appendix to a report submitted to the European Commission by a committee of EC electricity industry and consumer representatives.

Eurelectric's failure to agree a unanimous position comes at a sensitive time for the industry, when the Commission is preparing to use all the legal powers at its disposal to attack public gas and electricity monopolies and liberalise the EC energy market.

Even without the UK's signature, the Eurelectric paper is the latest sign of the increasingly strained relations between power suppliers and the Commission. Brussels is considering whether to push for obligatory third-party

access, which would allow large power users to buy electricity from cheaper suppliers in other EC countries.

Last month, the Commission announced it had started legal proceedings against some national electricity utilities to remove cross-border monopolies, and only last Friday, Sir Leon Brittan said in a speech the Commission would consider using special powers to issue directives without the formal approval of member states in order to open up energy networks.

Mr Jean Bergougnoux, managing director of Electricité de France (EDF), Europe's largest electricity exporter, and chairman of Eurelectric's energy section, deplored the Commis-

sion's legal action as "a first step in the direction of third party access." This would create problems for suppliers and have "bad consequences for consumers", he warned.

EDF officials said that utilities would welcome free competition in electricity production, so long as monopolies in distribution were allowed. They understood why the interests of the British electricity industry should be different from its continental counterparts, which practised more cross-border trade because there were more connections between their networks.

Eurelectric said that third party access "would seriously compromise the continuity of supply to consumers," because

having to handle a mass of small supply contracts would complicate utilities' efforts to correct technical failures. There was a risk of price volatility, which would put pressure on utilities to cut long term investments. They might prefer to build a gas-fired power station in three years rather than spend 10 years building a more efficient nuclear plant, it said.

It did not think the fact that the UK and Ireland had failed to sign the paper damaged the industry's negotiating position with the Commission. An official said there had been no formal vote, and added: "It's normal in an association that sometimes you can't get all members to agree."

Hungary puts former security chiefs on trial

By Nicholas Denton in Budapest

THE FIRST important political trial of members of Hungary's old communist regime began yesterday when two former security chiefs faced charges of allowing illegal phone-tapping.

Mr Ferenc Pallagi, former deputy interior minister, and Mr József Horváth, retired head of III/III, the notorious

department which dealt with dissidents, were accused by a Budapest military court of responsibility of bugging opposition politicians.

Both were caught up in a scandal which afflicted the twilight months of the regime. A parliamentary investigation found that leading Commu-

nists had received security service accounts of the activities of opposition parties.

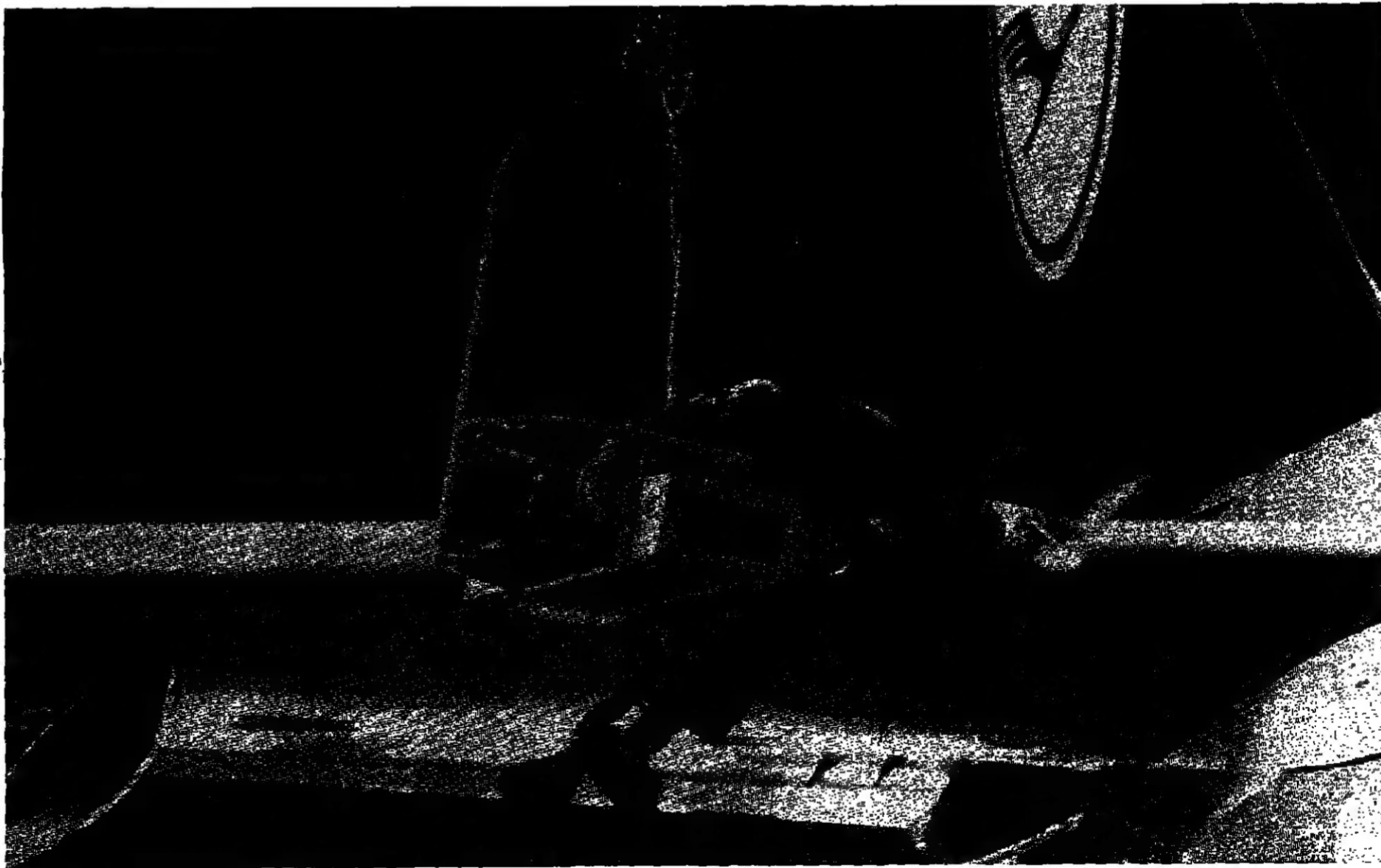
The defence - that the two men were just obeying orders - threatens to implicate several influential ex-Communists. Tomorrow Mr Miklós Nemeth, the former prime minister, is to testify, less than a

week before the London inauguration of the European Bank for Reconstruction and Development, of which he is one of the deputy presidents.

Despite the court case, pressure for retribution has been weaker than in other east European countries and the authorities do not want a legal

witch-hunt. Nevertheless, last month parliament voted to abolish the supplementary pensions which the party had given to its stalwarts. Also, the government has in practice discriminated against former communist administrators, forcing many into private business.

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WORLD TRADE NEWS

EC single market 'could disappoint developing states'

By Peter Montagnon, World Trade Editor

COMPLETION of the EC single market will add only Ecu7m (£4.86bn) to the exports of developing countries, despite promises by Brussels that it would give their economies a significant boost.

This is the main finding of a new study by the Overseas Development Institute* which says increased exports of primary products and manufactured goods will be offset by losses through trade diversion, as Europe becomes more competitive and self-sufficient in some goods it now imports.

Specially vulnerable, says Mr Michael Davenport, a former Commission official and one of the authors, are the newly industrialising countries of south-east Asia. Malaysia, for example, would suffer a net loss of 0.8 per cent of its exports because of trade diversion. Even newly industrialising countries were now investing inside the EC, as were some Latin American countries such as Brazil, Ms Sheila Page, his co-author, adds.

The aggregate trade effect of the 1992 programme appears small, but Mr Davenport warned of a significant impact on specific countries, especially those currently benefiting from bilateral preferential arrangements with individual member states.

This includes not only the well-publicised case of bananas where Caribbean producers such as Jamaica and the Windward Islands are expected to lose ground to more competitive growers in Central America. Morocco would lose its preferential access to the French orange juice market and Ivory Coast a similar privilege for bananas.

The study warns of Community-wide quota restrictions being introduced on products such as footwear, consumer electronics and ceramics. EC officials deny it will become a fortress in trade terms, but pressure for protection is increasing in the automotive and electronic sectors, with a record number of anti-dumping complaints in the pipeline, Mr Davenport said.

Developing country exporters could expect to be hit by tougher standards after 1992. These would constitute trade barriers in some cases, applying especially to wood, cut flowers and fish and fish products, which were becoming important exports for many developing countries. "Europe: 1992 and the developing world," Michael Davenport and Sheila Page, £9.95; Overseas Development Institute, Regent's College, London NW1 4NS.

Commissioners meet on Japanese car imports

By Andrew Hill in Brussels

EUROPEAN Commissioners concerned with the issue of Japanese car imports to the EC met in Brussels yesterday, to discuss the latest developments.

The meeting, postponed several times, gave the seven-strong group their first chance to talk about the issue since European car-makers presented their proposals to the Commission.

The European industry's suggestions, urging control on Japanese car sales in the EC until the end of 1993, were not a separate item on the agenda.

But officials said the commissioners, who include those responsible for industry and the internal market, tax, competition, the environment, and external affairs, were likely to consider the industry's views when discussing, for example, EC manufacturers' ability to adapt to new developments in the market.

Officials did not expect the decisions to be made public, and it is possible that the commissioners will have to meet again before presenting any specific proposals to the full Commission.

French win US helicopter gun deal

GIAT Industries, the French maker of tanks, guns and ammunition, has won a FF7800m (£79.3m) contract for gun turrets for the US Army's latest light helicopter, its first big sale to the US, William Dawkins reports from Paris.

The contract is vital to GIAT Industries' efforts to reduce dependence on the French army, which traditionally buys 90 per cent of its output. It is good news for the French arms industry, which is looking to exports to make up

for the slowdown in the growth of the national defence budget. Defence officials estimate French arms exports showed a sharp recovery last year after falling to FF7.20bn, a 10-year low in 1989.

The turrets, to be designed, developed and made by GIAT Industries, are to be delivered towards the end of the decade to Boeing and Sikorski, the leaders of the US consortium working on the \$33m project. Five prototypes are to be delivered in the next four years.

They are to house a 20mm double-barrelled gun, based on the Vulcan weapon used by Cobra attack helicopters, and which can be stored inside the aircraft when not in use. It can fire equally at ground targets or other aircraft.

GIAT Industries first entered the US market late in 1980 when it acquired Fabrique Nationale Nouvelle Heriath, the Belgian arms group. Its US subsidiary, FNMI, makes M16A2 rifles for the US army. The contract is a boon to the

financial hopes of GIAT Industries, which was last year turned from an agency of the Defence Ministry to a state body under autonomous management, under instructions to make a profit for the first time in its history.

GIAT Industries made a loss of FF650m on sales of FF76.5m in 1989 and aims to break even by mid-decade. The group's exports are negligible, though its Belgian acquisition sells more than 90 per cent of production abroad.

US technology comes under fire

Military bias could become a campaign issue, writes Nancy Dunne

THE "technology gap" has the enticing ring of a Democratic campaign theme. It evokes the alleged "missile gap" John Kennedy successfully exploited in his 1960 presidential campaign, when he promised to "get the country moving again".

Despite current euphoria over the success of US "smart bombs" and Patriot missiles in the Gulf war, reports have warned that the US has fallen behind Japan and Europe in developing a wide range of civilian technologies.

The most recent critique, from the Washington-based Council on Competitiveness, concludes that the US has fallen behind or abandoned one-third of the 94 technologies which will drive productivity, economic growth and competitiveness this decade.

The ideological divide between the Democratic Congress and the Republican White House has forestalled concerted responses.

The ghost of the Reagan White House still haunts those who propose anything smacking of an "industrial policy," or any spending programme designed to achieve through co-operation between business, government and academic institutions what the free market cannot.

It is political orthodoxy, which few in either party challenge, that industrial policy involves "picking winners and losers".

The only permissible exception is for industries deemed vital to military security, for example, semiconductors, which received reluctant government funding for the Semi-

tech consortium. Yet, as a Republican congressional aide noted, the US has a long history of successful industrial policies, embracing defence, space, and agriculture.

In his recent book, *Cowboys and Samurai*, Prof Stephen Cohen of American University noted that "Americans reject the notion that the proven ability of the US government to strengthen targeted sectors could be applied to civilian technology. A manifestation of

the US House budget committee yesterday began debating a near-\$1.5trillion (million million) budget plan for next year, including funding for a "competitiveness" package put forward by House Democrats, Nancy Dunne reports from Washington.

Mr Leon Panetta, budget committee chairman, announced his plans after consulting Mr Richard Gephardt, majority leader, and other top Democrats. Mr Gephardt has pledged to detail a trade competitiveness scheme later.

A Gephardt aide said the Democrats were moving to change priorities in the president's budget, to provide \$100m more for Pentagon technology research and \$10m more than President Bush has sought for the Commerce Department's Advanced Technology Programme.

The Democrats want big increases for the National Science Foundation, National Institute of Health, Defence Advanced Research Projects Agency, National Institute of Standards and Technology, and export programmes.

This attitude is the fact that the closest Washington counterpart to Japan's MITI is not the Commerce Department, but the Defence Advanced Research Projects Agency (DARPA), the Pentagon's outlet for financing new weapons technology and dual-use technology.

The White House has not totally ignored the competitiveness threat. For this, much credit is given to Dr Allan Bromley, the president's science adviser, who convinced its inner circle that it does

commercial technology. It has agreed to spend \$150m on a programme to create a fibre-optic link between the nation's super-computers.

Last month, the Commerce Department awarded \$12m to five regional manufacturing advice centres to help US business adapt to high-technology processes, and gave \$9m for 11 research and development projects under the Advanced Technology Programme (ATP) to improve electronics manufacturing techniques.

The ATP was first authorised by the Congress in 1988, but the administration did not want to fund it the first year. Next year, its budget is scheduled to reach \$36m, about one fourth what the Pentagon spends on its marching bands.

While these programmes will help, they total just a fraction of the subsidies granted by Europe and Japan to industrial development, and will not produce tangible results by the 1992 elections.

Democrats are highlighting the connection between the success of US weaponry in the Gulf and the billions of government dollars poured into their testing and development. The linkage will be made between the US trade deficit and declining number of manufacturing jobs.

Japanese trade practices have taken most of the blame. But increasingly, it has been noticed that US products are being outclassed because companies are slow to adapt new technologies.

The White House, reluctantly drawn to the competitiveness bandwagon, can be charged with a lack of leadership on an issue vital to the country's economic future. The theme has already been tested by Senator Lloyd Bentsen, another prospective candidate.

"What do you think would happen if John Kennedy's Department of Commerce found America lagging in 16 of 12 critical technologies for the future?" he asks.

"He would have mobilised every agency, every federal lab, major university and private enterprise in an all-out effort... to make America number one."

Office of assistance to those registering their activities by the deadline, and threats of

Hungarians allow most curbs on imports to lapse

By Nicholas Denton in Budapest

A HEALTHY current account has allowed Hungary to open up to almost all imports since the start of the year.

Ninety-nine per cent of applications to import restricted consumer goods in the first half of 1991 were granted, according to Mr Janos Martonyi, state secretary at the Ministry of International Economic Relations. "What is going on now is de facto liberalisation," he said of the almost automatic issue of permits.

The government now had the option to abolish the global quota which limited the value of licences given out to \$640m (£363m) in 1991, Mr Martonyi added.

In any case, licences are now needed for only a tenth of imports goods such as shoes, household goods and cleaning materials. Formally liberalised imports - the rest - are expected to account for 90-92 per cent of the total in 1991, against 70 per cent in 1990.

Ironically, further import lib-

eralisation may hurt some western joint ventures in Hungary which the government had attracted with privileged import concessions.

The Budapest authorities have only felt confident enough to accelerate import liberalisation since figures came through of a surprisingly healthy balance of payments so far this year. The current account withstood the move to world-market prices for energy imports from the Soviet Union, to show a \$175m surplus in January.

Import liberalisation is central to Hungary's effort to bring down consumer price inflation from February's 32-33 per cent. Officials hope that cheaper imported clothes, shoes and electronics will lead inflation down in the second half of the year.

Wider availability of western goods for Hungarian currency also serves further to narrow the gap between its official and black-market rates, which has already shrunk to 10 per cent.

Taiwan in drive to track down capital sent to China

TAIPEI is to punish companies that failed to declare their mainland operations by an April 8 deadline, in a bid to control the flow of Taiwanese investment capital into China, Peter Wickenden reports from Taipei.

Despite the ban on all investment in China, over the last four years thousands of companies have shifted their operations there to escape rising land and labour costs and environmental protests.

The government now allows indirect investment in China for 3,679 low-technology and labour-intensive items which can no longer be produced competitively in Taiwan. But it has never kept formal records on the volume and nature of the investment.

Offers of assistance to those registering their activities by the deadline, and threats of

punishment for ones later discovered, proved effective beyond expectation. By Monday, some 2,380 companies had come forward. Those that failed to do so, may be penalised. Penalties include restricting foreign exchange operations, cutting off credit, probing tax records, rejecting applications for overseas investments, and denying government grants and subsidies.

Companies that admitted making illegal direct investments will not be punished, but will be allowed to convert these to indirect investment by setting up paper holding companies at a new semi-official Taiwan trade centre opening in Hong Kong this month.

Total value of China-approved Taiwanese investment is estimated at \$2.2bn (£1.25bn) by 2,000 companies at end of last year.

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AMERICAN NEWS

Last rites in sight for debt crisis

Even cautious investors are now looking at Latin America, reports Stephen Fidler

LATIN America is undergoing a process of profound change, says Mr Enrique Iglesias, president of the Inter-American Development Bank. Mr Iglesias is well-known as the region's unofficial ambassador abroad, but he is right. The old model of Latin American development - of self-sufficient economies and an over-reliance on state presence in economic endeavour - is dead. In Nagoya, at the bank's annual meeting this week, they were dancing on its grave.

Every country on the Latin American mainland has already felt the shift in rhetoric. To a greater or lesser extent (depending on the country) this rhetoric is being translated into action. Economies are being opened to the outside, serious efforts are being made to keep fiscal deficits under control and privatisation is everywhere.

Mexico this year joined Chile in demonstrating what serious economic reform can produce. Both may soon have a free trade agreement with the US. Even the conservative Japanese are showing some interest in investment in these countries for the first time since the debt crisis exploded in 1982.

The debt crisis is seen to be almost a

thing of the past. "What we have left is just the rump of the debt problem," said Mr Shaheed Hussein, World Bank vice-president for Latin America and the Caribbean. The problem remains in Brazil, Argentina, Ecuador and Peru - but the Nagoya meeting has fostered hopes that even in economically-devastated Peru the problem can be resolved.

Nowhere is debt seen as the sole cause of economic malaise; it is largely regarded as another symptom. Some fundamental questions remain, despite the more optimistic outlook. The successful economies, Chile and Mexico, were among the most autocratic of Latin American regimes in the 1980s. It is still not clear whether the authoritarian regimes, in particular the struggling giants of Brazil and Argentina, have the power to force through change over the heads of the powerful vested interests that oppose it.

It is also possible that the emphasis on privatisation which has swept the continent has been overdone. Privatisation is justifiable on the grounds that it frees the state to concentrate on activities which are more suited to it: health, poverty alleviation and infrastructure

development. This point is made repeatedly by Mexican officials, where in less than a decade the state has withdrawn from ownership of all kinds of enterprises, including restaurants and discotheques.

In Argentina and elsewhere, privatisation has been one way for a country to reduce its debt burden to banks in a non-inflationary fashion, by swapping shares in the companies for bank debt.

However, privatisation is no substitute for reform of macroeconomic policies or for the stemming of chronic fiscal deficits that can only be financed through printing money. Indeed, until fiscal deficits are addressed, only a few state enterprises may be attractive to buyers either at home or abroad. More significantly, without a background of economic stability and confidence, conditions for economic growth will not be in place.

According to Mr Pier-Pablo Kuczynski of First Boston in New York, a Peruvian expert on Latin American economic issues, the problem in most of Latin America remains one of a shortage of savings, by both government and the private sector.

This has been exacerbated by recent

efforts to bring fiscal deficits under control. In trying to do this, the state - unable to raise revenues through taxes - withdraws from spending where the economic pressure groups have no strong interest: from infrastructure development, health and education. But spending continues on bureaucracy and loss-making state enterprises. In this way, therefore, privatisation is helpful in breaking the power of special interest groups, but is not enough alone to bring economic success.

There is an irony therefore. The state has to withdraw from some fields, and assert itself elsewhere. Mr Kuczynski and others argue that Latin governments must be encouraged to save - in other words to abstain from consumption and to make long-term commitments to infrastructure development.

In this, the IADB has significant potential in its traditional role as lender to state-sponsored infrastructure projects. Some people, including Mr Kuczynski, believe that the bank's preoccupation with supporting the private sector and its move into making loans for balance of payments support means that it is thus concentrating on the wrong issues.

Cheney to recommend closure of US bases

PENTAGON officials said yesterday that Mr Dick Cheney, the US defence secretary, will recommend this week closing or shrinking more than 30 major military bases in the United States, and will move later in the year to close or realign another 100 facilities overseas. Reuter reports from Washington.

Mr Cheney will hold a Pentagon news conference tomorrow the officials said, at which he will propose closing or reducing the size of several dozen bases within the US.

The proposed closings will be part of large planned cutbacks in the US defence budget.

Mr Cheney said in a speech on Monday that the 20-member US military would shrink by \$21,000 over the next six years, including a reduction in active Army divisions from 18 to 12.

He said bases at home and abroad must be closed.

He announced last September that the Defence Department would close or reduce operations at 150 military facilities abroad, including 108 sites in West Germany.

And early last year Mr Cheney proposed a list of 55 cases in the United States to be closed or cut, but that plan died in a hailstorm of charges by Democratic members of Congress that it targeted their election districts.

Cutting bases within the country is a move that traditionally triggers political uproar among members of Congress, who like the jobs and votes such bases bring in their constituencies.

This time, however, President George Bush and Congress will have little opportunity to change the list, because of new rules essentially requiring an up or down vote on the matter.

Under new rules, a commission appointed by Mr Bush will look over Mr Cheney's list and then submit it to the White House and, later, to Congress. Either can reject the list, but they may not change it.

US law does not require approval by Congress of changes at overseas bases.



Endara: sacked five ministers

Power vacuum forms in Panama

By Tim Coone in Managua

PRESIDENT Guillermo Endara of Panama has broken a decade-long centre-right alliance and created a power vacuum in which the left-wing Revolutionary Democratic Party (PRD) may now play a pivotal role.

Mr Endara sacked the five ministers belonging to the centrist Christian Democrat party (PDC) in a cabinet reshuffle on Monday, along with the PDC heads of several state-run institutions. "I have decided to govern without the PDC, to put an end to the fight for political posts," he said.

The cabinet is now dominated by members of President Endara's Arnulfista party and of Mr Billy Ford's Molirena party. Mr Ford, planning minister, controls economic policy, and is pushing for rapid economic liberalisation and privatisation, despite strong trade union opposition.

The ruling ADOC alliance split came after months of hickering over economic policy and the share-out of cabinet posts. Mr Ricardo Arias Calderon, PDC head, and ex-minister of interior and justice, said: "We shall now lead the democratic opposition in Panama. We will be firm in opposition and subject all the government's policies and administration to scrutiny."

He named as a main cause of the split the government's insistence on channelling funds allocated to FDC-run ministries to meet foreign debt obligations. The PDC was alarmed by last January's by-election results, when the PRD won five of nine seats for the 67-seat National Assembly.

High unemployment and the government's economic performance were widely blamed for the setback. The PDC believes priority must now be given to welfare and job creation, with foreign debt rescheduling plans taking account of these.

With the PDC expelled, the government can no longer count on support from the party's 28 National Assembly deputies. The PRD, formerly controlled by Gen Manuel Noriega, who was deposed by the US invasion in 1989, now holds the balance of power in the assembly, with nine seats.

Mr Luis Martinez, an Endara aide, said: "We do not rule out a possible alliance with the PRD." Mr Arias said the PDC did not intend to ally with the PRD in opposition. He claimed the government had promised pardons to former PRD officials under investigation for alleged crimes while part of the Noriega administration, to obtain PRD support in the Assembly.

IMF sees steep fall in growth to 1.4%

By Michael Prowse in Washington

THE International Monetary Fund has sharply revised down its forecast for world growth this year, but it expects a strong rebound in 1992.

The Fund's latest forecast is reported to show growth in industrialised countries declining to 1.4 per cent this year, compared with about 2.5 per cent in 1990. Last September, the Fund was more optimistic, projecting growth of 2.4 per cent growth this year.

The slowdown, however, is seen as temporary with growth rebounding to 2.8 per cent next year.

The forecast was leaked to Italian newspapers, and Fund officials warned yesterday that the numbers could be slightly revised before official publication later this month.

The lower growth figures partly reflect the depth of the US recession, which was not foreseen last autumn. The Fund expects US gross domestic product to fall 0.1 per cent this year. This compares with a

Bush administration forecast of a fall of 0.3 per cent. The Blue Chip private sector consensus forecast is for GDP growth of 0.1 per cent.

Next year, the Fund expects the US to share fully in world recovery, growing at 2.8 per cent. The White House and Blue Chip forecasts are for growth of 3.1 per cent and 2.6 per cent respectively.

Only Japan and Germany will grow at rates of more than 3 per cent in 1991, it added.

The Fund's projections for growth in the industrialised world as a whole are also in line with private sector forecasts. Goldman Sachs, the Wall Street investment bank, for example, is projecting 1 per cent world growth this year, the worst performance since the 1981/82 recession.

On Italy, the Fund said the public deficit remained the most worrying aspect of the economy and it urged the government to be rigorous in its plans to reduce the shortfall.

TV re-run ruling pleases no one

By Martin Dickson in New York

THE Federal Communications Commission yesterday voted to relax rather than repeal rules which prevent US television networks from sharing in the \$3bn a year Hollywood profits from the syndication of former prime time shows.

The three-to-two compromise ruling pleased neither the three networks, which had campaigned for the repeal of restrictions on their ability to produce shows and sell re-runs, nor the Hollywood studios and independent producers who wanted to keep the rules

intact. The rules prevent networks acquiring financial interests in the syndication of television programmes produced by others, or retain an interest in the domestic syndication of their "in house" productions.

The commission voted to scrap the rules for all portions of the network schedule other than prime-time viewing. However, the networks will be allowed to fill no more than 40 per cent of their prime time schedule with "in house" productions.

Subject to certain constraints, the networks will be free to acquire all rights - including foreign syndication rights - in outside productions.

They will also be able to retain all rights in "in-house" productions, including domestic distribution.

The original rules were adopted by the FCC in 1970, when the networks still had a stranglehold on prime time audiences, and were meant to ensure a fair sharing out of programme revenues.

Los Angeles police chief regains job

MR DARYL GATES, the outspoken Los Angeles police chief, has been allowed to return to his job after a suspension from duty amid an investigation into a controversial televised police beating of a black man. Reuter reports from Los Angeles.

The city Police Commission, which supervises police activities, placed Mr Gates on paid leave from his \$168,000-a-year

post last Thursday for at least 60 days while it examined what it called serious allegations of mismanagement against Mr Gates concerning the beating.

But the city council, in a 10-3 vote which ignored strong objections by Mayor Tom Bradley, overrode the commission and agreed to a legal formula which allowed Mr Gates to return to work. The council said Mr Gates, 64, was forced to

leave office without being given a full hearing.

The controversy divided the city into Mr Gates' supporters, including police and conservative groups, and those who say he must go.

An amateur cameraman sparked the furor when he videotaped white policemen beating Mr Rodney King more than 50 times after a car chase.

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INTERNATIONAL NEWS

UN wrestles with human rights issue

By Michael Littlejohns, UN Correspondent, in New York

WITHIN DAYS of Iraq's agreement to tough United Nations terms for a permanent ceasefire in the Gulf war, which the Security Council proposed yesterday to declare "irrevocable", member states were again confronted with the familiar legal conflict between the protection of human rights and the rule that bars interference in a state's internal affairs.

"That is the old problem with everything which refers to human rights," Mr Javier Pérez de Cuellar, the secretary general, observed yesterday. He said he shared the concern of the Europeans and others about the Iraqi minorities, and added in remarks to reporters: "I think that in the end the Iraqis will understand that it is even in their interest to have these people protected. After all, they are Iraqis whether they are Kurds or Shia."

None of the the European Community leaders appears to have addressed the dilemma of breaching sovereignty during their Luxembourg meeting on Monday. Asked if the British plan for a Kurdish safe haven did not constitute intervention in Iraqi domestic affairs, Mr John Major, UK prime minister, replied: "No, it's protection of a population from persecution."

However, several members of the Security Council with national minority problems of their own are not eager to authorise the UN to go beyond what it is already doing for the Kurds on purely humanitarian grounds.

Yemen, the only Arab member, along with Cuba and Zimbabwe voted against the resolution last Friday which condemned Iraq's repression and calling for an end to it. China and the Soviet Union abstained. This was an indication of the obstacles facing the British initiative. A minimum of nine votes are needed for the

adoption of a resolution in the 15-nation Security Council. In an initial reaction, Mr Yuli Vorontsov, the Soviet delegate, raised the sovereignty question, asking rhetorically what the Security Council might do if it were confronted in some other country - unaccountably, he placed Brazil - with a problem comparable to the Kurdish tragedy.

According to some UN authorities, the 1948 Convention on the Prevention and Punishment of the Crime of Genocide could be used in justification of stronger UN action to protect the Kurds.

Iraq has acceded to the convention which treats genocide, in peace or war, as a crime under international law which the signatories "undertake to prevent and punish."

A subsequent article provides that a party to the convention "may call upon the competent organs of the United Nations to take such action under the Charter of the United Nations as they consider appropriate for the prevention and suppression of acts of genocide."

Mr Pérez de Cuellar said yesterday it would depend on the Security Council whether a possible breach of the convention justified the creation of what he termed "a kind of an enclave."

Intervention in a state's internal affairs is also sanctioned if the Security Council finds that threats exist to international peace and security. The Council made such a determination in Friday's resolution on the Kurds.

It did not simply call or urge but demanded that Iraq "as a contribution to remove the threat to international peace and security in the region, immediately end this repression... to ensure that the human and political rights of all Iraqi citizens are respected."

Bush cautious on Kurd enclave plan

By Nancy Dunne in Washington

THE Bush Administration yesterday was publicly cautious about proposals to create sanctuaries for Kurds in Iraq and seemed anxious to find an approach which would not provoke further fighting.

Mr Martin Fitzwater, the White House press spokesman, said the proposal to create an enclave was "being discussed."

He added: "There are problems with it too. They don't know how they'd do it in the north, for example."

However, Mr Dick Cheney, the White House vice president, while not referring specifically to the British proposal for an enclave for the Kurds, said yesterday that Iraq would have no choice about providing a buffer zone for the protection of refugees.

Iraq had been warned not to interfere with airborne relief efforts for Kurdish refugees, Mr Cheney said.

President George Bush, who hinted on Sunday that he would support the enclave by talking of extending UN peacekeeping activities to Iraq, yesterday refused to be drawn on the issue.

Outside the White House, a group of Kurdish demonstrators called on the President to muster worldwide support for their people and to act to overthrow President Saddam Hussein.

According to yesterday's Washington Post, State Department officials have decided that refugee sanctuaries should be established and operated by the United Nations. The US does not want to be seen taking the lead on the proposals.

Although the White House had sought to prevent the fragmentation of Iraq, they have begun to accept a temporary break-up as a means of undermining Saddam Hussein.

Mr Cheney said yesterday that US troop strength in the Gulf was down to about 50,000, and that if US forces remained in the region it would be as a smaller, largely symbolic part of a peacekeeping force, rather than as from Washington.

"The president has made it clear we want to avoid a permanent, long-term US ground presence in the region," Mr Cheney said.

"It is conceivable that we would participate symbolically in some kind of peacekeeping force, but that is a separate proposition from having heavy brigades on the ground," he said.

The withdrawal of all US forces would not take place until the ceasefire was firmly in place, Mr Cheney said.

EC leaders unite in response to Kurdish crisis

By David Buchan and David Gardner in Brussels

"THE Kurds saved the summit, so we had to try to save the Kurds," said a senior Commission official only half in jest after European Community leaders ended their Monday night summit in Luxembourg.

The belated realisation that the plight of the Kurdish refugees provided a unifying focal point to a summit whose broader original agenda, dealing with the external and internal implications of the Gulf war, was laden with potential discord.

As it was, the Community showed itself "swift, generous and determined" in its response to the Kurdish crisis, said Britain's prime minister, Mr John Major. His call for substantial aid and a haven inside Iraq for the Kurds were seized upon and endorsed by other EC leaders.

Doubts that they might in effect be

calling for the dismemberment of Iraq were dispelled by the knowledge that the real decision on a UN-supervised enclave for the Kurds would be for the Security Council in New York, not the 12 meeting in Luxembourg.

EC officials started immediately yesterday to plan how to raise and spend the Ecu150m (£104m) of aid pledged to the Kurds. Two-thirds of this is to come from the EC budget, and the Commission, Parliament and the Council of Ministers are to try to rush through an emergency Ecu100m appropriation in the unheated of speed of two weeks. The remaining Ecu50m should come even more quickly out of national exchequers.

Demonstrating new-found institutional flexibility, the nine EC countries that belong to the Western European Union (WEU) defence

organisation convened a brief - all of 15 minutes - meeting of the WEU and promised to co-ordinate military transport for the aid. A long-planned meeting of the chiefs of staff of WEU member countries in Paris today may carry this co-ordination further. The EC believes its aid, to be channelled through the UN High Commissioner for Refugees, should go to Kurdish refugees in Iran. The US is expected to focus on refugees in Turkey.

Although an informal EC summit, such as the Luxembourg conclave, has no formal concluding communiqué, Mr Major got nods of agreement when he asked his EC colleagues: "Should we say here and now that unless the amnesty [followed by President Saddam Hussein] is made permanent, we will insist in the United Nations on the maintenance of all

sanctions on Iraq?" Some EC officials saw the mood of the summit as favouring keeping sanctions until President Saddam Hussein is removed, because only this would provide a credible guarantee that an amnesty would last.

However, a certain backpedalling could be detected on the question of a Kurdish enclave inside Iraq. By the time the summit ended, Mr Jacques Poos, foreign minister of Luxembourg which holds the EC presidency, was explaining that it was not necessary to envisage a single zone, but "several areas in which it was temporarily possible for humanitarian aid workers to enter, without dismantling Iraq". And the foreign minister of Belgium, which holds the UN Security Council presidency this month, was reassuring anxious socialist coalition part-

niers back home that the EC was not contemplating military action to create the enclave. Only Mr Major hinted that the UN might endorse military action and that the enclave might encompass cities in northern Iraq.

Straying briefly on to wider Middle East issues, EC leaders decided that Mr Jacques Santer, the Luxembourg prime minister, and Mr Jacques Delors, president of the Commission, should take a two-pronged message to President Bush in Washington this week. First, the EC applauds the renewed US effort to broker peace between Israelis and Arabs. Second, when a wider peace conference becomes necessary, the Community wants to be fully involved, as much as the US or the Soviet Union; otherwise, Europe will not play its part in providing aid or security guarantees.

Major shows a turn of speed

By Alison Smith

THE proposal of Mr John Major, the UK prime minister, to create a safe haven for Kurds in northern Iraq, seems a tailor-made attempt to answer accusations of indecision which met his initial response to their plight.

The initiative accepted on Monday by the European Council was not a long-standing contingency strategy. It was an immediate reaction to a worsening problem and was in stark contrast to last week's announcement on humanitarian aid, which ministers emphasised came after weeks of planning on how to help the region.

So immediate was it, that the enclave idea was not discussed between Mr Major and Mr Douglas Hurd, the foreign secretary, before Mr Hurd began his visit to China last week.

Indeed, Mr Hurd has been kept in touch with events through telegrams. Mr Douglas Hogg, the Foreign Office minister, has deputised for him in the discussions, going with the prime minister to Monday's EC council meeting in Luxembourg.

The plan to create a safe area emerged finally only from a meeting between Mr Major, Mr Hogg and officials late Monday morning. The move was put in parallel to EC colleagues and the US so that no time might be lost in securing action.

Despite the rapidity of the decisions, it is already clear that the UK envisages something more than a token initiative. Mrs Lynda Chalker, the overseas development minister, said yesterday that: "There is an overriding requirement for us to try to get a safe haven, not as a long term, but as a temporary measure until things settle down and there is a change of government in Baghdad."

And Mr Hogg made it clear that the safe area would probably have to be quite large, since "it would require UN observers in quite substantial numbers and their presence would have to be underpinned either by actual physical force or the prospect of it."

Despite the recognition that force might be needed, the plan is seen by the government as a development of the humanitarian aid which Britain began to send last week, rather than an involvement in Iraq's internal affairs.

"We have, I think, the authority of the United Nations in the last resolution in order to ensure the safety of the Kurds and this is a method of dealing that, delivering that," Mr Hogg said.

The UK seems convinced that whatever rhetoric might be Iraq will find itself with no option but to agree to the plan.



The webbing around relief supplies destined for Turkey is checked aboard an RAF Tristar at Brize Norton, England, yesterday

Logistical problems mount in efforts to save Kurdish lives

Relief workers' ingenuity faces an uphill struggle against bureaucracy

By John Murray Brown in Çukurca

MR CARL GAISER was yesterday searching the shops of Çukurca for plastic sheeting, for the thousands of Iraqi refugees now sleeping in the open on the Turkish-Iraqi border.

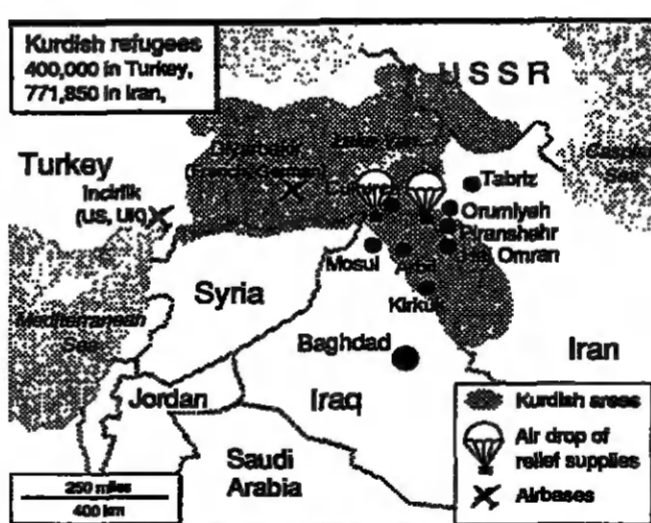
For all the publicity of this week's US and British air-drops, immediate relief for the estimated 280,000 refugees who have already fled Iraq, following the sudden collapse of the Kurdish rebellion, will probably depend on the ingenuity of relief workers such as Mr Gaier.

The logistics remain considerable, particularly with Turkey sticking to its policy of confining the refugees to the border areas, where roads are narrow and often impassable as floods follow the melting of the snow.

The United Nations has launched its appeal for Turkey but so far only 12 trucks have arrived, four days after leaving Ankara. UN officials confirm that stocks in Ankara are all but depleted - the provisions were delivered on the basis of earlier projections of aid for 20,000 refugees.

Mr Vehbi Dinçerler, the minister of state in charge of the relief effort, yesterday criticised western governments for their slow response to the crisis.

As for the air-drop, poor visibility yesterday meant the



pilots of the British Hercules were unable to pin point the drops.

With Turkey expecting another bumper harvest, local food procurement should be possible. Since Turkey's transit industry was so badly hit by the trade sanctions against Baghdad, it would be only too happy with the extra business.

Yesterday tents for a 1,500-bed field hospital, supplied by the Turkish health ministry, were still on the road between Ankara and Çukurca, five days out of Ankara.

The UK relief operation is already meeting difficulties. Customs officials at Diyarbakir, the provincial capital, said the aircraft would take three days to clear. The assistance - tents and blankets - is now being shuttled overland from Ankara to the capital. Yesterday, the embassy said it did not know where the trucks were.

The problems of supplying these remote points will not doubt harden the position of those backing the idea of creating a safe haven for the Kurds

in northern Iraq. Mr Lionel Rosenblatt of Refugee International, a Washington-based lobby group, said there was a successful precedent for the Kurds such as that created on the Thai-Cambodia border for refugees following the 1975 seizure of power in Cambodia by the Khmer Rouge.

However, he said it depended on securing the confidence of the Kurds.

At Çukurca yesterday Mr Gaier, a health worker with the New York-based International Rescue Committee, was trying to assess the needs of the estimated 40,000 camped in the mud, many still dressed in the office clothes they left in.

"I'm just doing my bit to help," said Mr Gaier, pulling the tarpaulin off one of the 12 UN trucks which arrived here Sunday but which because of bureaucratic delays have still to be distributed.

From the mayor's office, supplies were being unloaded onto smaller vehicles to make the extra mile up the mud road to the camp at Border Gate 41.

Meanwhile, refugees who had sneaked past checkpoints, were milling round the telephone office trying to ring a cousin in Canada. Others were trying to persuade shopkeepers to take their Iraqi dinars.

IMF, Egypt in \$350m accord

By Tony Walker in Cairo

A top-level IMF team returned to Washington yesterday after reaching broad agreement with Egypt on a new \$350m (£219m) standby loan and reform programme to be approved by the Fund's board before the end of May. This will open the way for further Paris Club rescheduling of about \$10bn Egyptian debt, including arrears.

Under the accord, Egypt will liberalise its exchange and interest rate systems, raise energy prices, cut the budget deficit, and bring in a new sales tax.

The pact paves the way for forgiveness by western creditors of a large part of Egypt's \$36bn foreign debt. Cairo wants more than half its official debt forgiven along the lines of a recent package with Poland.

Egypt's last IMF agreement, concluded in 1987, collapsed before the end of the year. But Fund officials are more hopeful this time, saying the new programme is accompanied by substantial World Bank and other aid to bolster Egypt's reform programme.

Buoyant exports lift South Korean economy

By John Ridding in Seoul

SOUTH Korea's economy is growing faster than expected, but inflation remains a concern and the trade account is heading for a record deficit in the first half of the year, Mr Choi Kak Kyu, deputy prime minister and minister for economic planning, said yesterday.

He forecast GNP growth of 8 per cent this year, compared with original projections of 7

per cent. He said buoyant exports and industrial production lay behind the revision. The Economic Planning Board reported exports of \$15.3bn in the first quarter, a 10.2 per cent rise on last year. Industrial output rose similarly in the first two months.

The current account, which moved into deficit in 1990 after several years of large surpluses, is forecast to reach a

deficit of \$4m for the first six months of this year. Initial projections of a \$3bn first half shortfall have been revised upwards as a result of surging imports of machinery and crude oil.

An EPB official said the widening deficit was not causing too much concern. "We need to import machinery to improve productivity and efficiency," he said, adding that the deficit

would narrow in the second half as a result of stronger exports and lower oil imports. But inflation continues to be a problem. Consumer prices rose by 4.9 per cent in the first quarter, almost half of the government's 10 per cent inflation target for the full year.

"The big jump in consumer prices is worrying the people and hindering control of wage increases," Mr Choi said in his

report to Mr Roh Tae Woo, South Korea's president.

Mr Choi said the government remained committed to its inflation target and was taking steps to curb the rise in prices. These include tightening the money supply, freezing utility rates until the end of June, reducing inter-city phone charges and increasing imports of agricultural products in short supply.

De Klerk plan to end race classification

THE South African government published a draft law yesterday to end race classification, the basis of the 43-year apartheid system dividing ruling whites from the unfranchised black majority. Repeal reports from Cape Town.

The six-line proposal, which is almost certain to be passed by the National Party-dominated parliament, implements the last of several sweeping reforms announced by President F.W. de Klerk on February 11 this year. It proposes repeal of 10 laws enforcing race classification at birth and amendments to four other laws to remove sections concerning racial definitions.

The Population Registration Act allocates everybody to one of 10 racial categories and has been used to split families, with parents and children forced to live in different areas.

The repeal bill adds, however, that while children born after its passage through parliament will not be classified by race, government can continue on the basis of existing racial divisions.

"Notwithstanding the repeal of the Population Registration Act, 1950, anything done in terms thereof shall... remain in force as if the repeal had not taken place," the bill says.

A government official said this section meant that segregated education and whites-only elections could continue until a new constitution is agreed and implemented.

Mr de Klerk has promised to negotiate South Africa's transition from white rule to democracy, including full political rights for blacks, who outnumber whites by five to one.

In February he also promised to repeal residential segregation and an end to land apartheid, which reserves 87 per cent of the country for white farmers. "The South African statute book will be devoid within months of the... cornerstones of apartheid," he said.

Mr de Klerk's reforms enraged the white right, but western governments quickly signalled approval by promising to review anti-apartheid sanctions when all the changes had been put to parliament.

Li trial judge 'misdirected jury', says QC

By Angus Foster in Hong Kong

THE judge in the trial of Mr Ronald Li, jailed former chairman of the Hong Kong stock exchange, misdirected the jury, an appeal hearing was told yesterday.

Mr Li was jailed for four years last October after being convicted of corruption. He was also ordered to pay costs and return HK\$80,000 (\$52,000) in share profits.

Mr Anthony Scrivenor QC, counsel for Mr Li, said at the opening of Mr Li's appeal yesterday that the verdict may have been unjustified because the trial judge failed to give proper direction to the jury. He said the prosecution's case had been narrowly drafted but was widened in the course of the trial and this may have confused the jury.

Mr Li is appealing against conviction and sentence on two charges of accepting shares as a reward for helping with, or not obstructing, the stock market listings of Cathay

Pacific Airways and Naval Enterprises, a Hong Kong knitwear company, in 1986 and 1987 respectively. The appeal is being heard by three high court judges and is likely to last a week. A ruling is expected early next month.

Mr Scrivenor said Mr Li was charged with accepting shares as a reward, which implied it was for his past help to merchant bankers when he was chairman of the stock exchange. But during the trial

a wider concept of the shares being accepted as a "general sweetener", designed to keep Mr Li "sweet" in future, was introduced.

Mr Scrivenor said the trial judge failed to give the jury proper direction that they should be satisfied the shares were a reward for past services. The judge also failed to adequately explain the concept of a reward, as opposed to a gift or loan, according to Mr Scrivenor.



Li: jailed for corruption

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UK NEWS

Japanese group wins contracts to supply Jaguar

By John Griffiths

NIPPONDENSO, the Japanese motor components group, has won contracts to supply car air-conditioning systems to both Jaguar and Rover Group even before its 25th plant to produce such systems has been completed at Telford, central England.

Mr Bill Hayden, Jaguar's chairman, disclosed yesterday that Nippondenso had beaten three rivals including Jaguar's owner, Ford, to secure the business.

Disclosure of the coup for Nippondenso, International (UK), the UK subsidiary of Japan's largest components maker, coincided with an announcement by another Japanese components group that it was not proceeding with outline plans to set up a new plant at Crewe, in the north west.

Ogihara, a steel manufacturer regarded as a potential supplier of steel pressings to the Toyota car plant being constructed in Derbyshire, blamed the UK recession for not going ahead. The project, first unveiled in the middle of last year, had been expected to create 350 jobs. However, it remained unclear yesterday whether Ogihara was abandoning the project or looking for a site elsewhere.

While Jaguar would not discuss details of the Nippondenso contract yesterday, the Japanese company's systems are expected to be installed in the current XJ6 model's replacement, which is due to enter production in four to five years time.

The decision will be unwel-

come to Valeo of France, whose Delcor subsidiary supplies air conditioning systems to the current Jaguar range. Jaguar's current output of cars is relatively low - an expected 35,000 this year. But Jaguar hopes the smaller car range it plans to produce at the end of the 1990s will lift output to about 150,000 units a year.

Air conditioning is among the most complex of all car component systems, with high added value for its manufacturer. It is also widely considered to be one of the relatively few very high growth sectors for car components over the next few years, as its popularity in Europe spreads downwards from the luxury car sector.

Last year, when unveiling the Telford project - a joint venture in which Fiat's Magneti Marelli components company has a 25 per cent stake - Nippondenso forecast that rising European demand for air conditioning systems would allow Telford output to reach 400,000 units a year by 1995.

It also became known yesterday that the Telford plant's first contract is to supply air conditioning systems for the Rover 1718 models - the Rover 800 executive cars' successors which are being launched in the autumn. Nippondenso is already supplying such systems from Japan, but will switch when Telford output comes on stream in the middle of next year. The plant is expected to employ 450 in full production.

Britain seeks better criminal record in world league

NEXT Monday is the start of the first UK national Crime Prevention Week, a high-profile bid by the government to mobilise the public, industry and other interests against crime.

Crime Prevention Week has plenty of raw material to work on. Last month's crime figures for England and Wales showed that offences recorded by the police increased by 17 per cent between 1989 and 1990 to a record 4.5m.

The reality is even worse. Most crimes are never reported to police. That applies particularly to vandalism, straightforward thefts and other incidents where the victim sees no hope of the offender's being caught.

To discover the true level of lawlessness, households have been interviewed on their experiences of crime for the British Crime Survey.

The results suggest that a remarkable three fifths of crimes are not reported and only a quarter of offences finish up in official police records.

Crime has, by any measurement, increased remorselessly since the 1950s - by an average 6 per cent a year in terms of offences recorded.

The figures take no account of the equally important financial cost of crime. It is estimated to cost industry between £5bn and £10bn a year - private-sector security alone cost £1.6bn in 1989-90. Insurance companies paid out more than £1m a day on thefts from



Victims of crime

as percentage of population in 1988



Source: International Crime Survey

homes last year. Chief constables believe some public concern about crime may reflect misunderstanding about the nature of offences and victims. Violent offences, which surveys show

is the main area of public anxiety, constitute only 6 per cent of crime. Men aged under 30 are the most likely to be victims of violent assaults, with many incidents happening in or near public houses.

Women who live in fear of murder should, in statistical terms at least, keep careful watch on their nearest and dearest. Nearly half the 294 female homicide victims in 1989 were killed by husbands

or other present and former partners, and another 17 per cent by parents or family members. Women knew their assailants in 76 per cent of assaults.

In international terms, Britain is middle-ranking in the crime league. The chances of being an assault victim are considerably lower than in most countries, while prospects of suffering a motor-vehicle theft are high.

In 28 per cent of burglaries in London last year the thieves just walked in. This type of opportunistic crime is the target of the government's "Together we'll crack it" crime prevention campaign, of which Crime Prevention Week is the latest element. It has generated neighbourhood watch schemes, crime-prevention panels, crime-reduction programmes and expenditure of £11.5m last year on combating crime.

Critics say many such of these ventures do more to amuse participants than make any serious impact on reducing crime, but the government is persisting as a way of maintaining to maintain public awareness of the issue. Ministers are looking to industry, architects and others to make everything from cars to housing estates more crime-proof.

Mr Kenneth Baker, the home secretary, has asked car industry representatives to discuss with him ways of improving vehicle security. The motor industry says it is trying to improve vehicle secu-

rity, but refuses to take all the blame. The Society of Motor Manufacturers and Traders points out that the same models of car are five times more likely to be broken into in Britain than in Germany.

Why? Social causes of crime became the subject of much debate with the growing consumerism and widening disparities of income and wealth that occurred under Mrs Margaret Thatcher's governments.

High crime rates are a common feature of areas of social deprivation. More broadly, some Home Office analysts believe property crimes tend to increase during recessions and decline when the economy improves.

One of the most striking social factors about crime is the age of offenders. The peak ages for offending are 15 to 18 for boys and 15 for girls. And once young offenders embark on a life of crime, prison does little to divert them. Half of all imprisoned offenders reconvicted are convicted again within two years of release.

The government, in recognition of that, is trying in its Criminal Justice Bill now before parliament to reduce the use of custody for minor offences.

It still appears that locking up valuables is a more successful crime-revention strategy than locking up petty thieves.

Alan Pike

UK customs to track EC fraud and drugs

By Michael Cassell, Business Correspondent

Britain's Customs and Excise yesterday pledged itself to increase the effectiveness of its tax collecting activities and to step up its efforts to prevent and detect drug smuggling.

The proposals mean that the department will boost the numbers employed in Value Added Tax (VAT) and car tax collection by more than 500 over the next year to reach 12,500. Nearly 1,000 further jobs will be added by 1993-4.

Customs and Excise also intends to step up its efforts to tackle revenue fraud, both against the UK exchequer and the EC budget, which would include the Common Agricultural Policy fund.

The number of full-time jobs in the Customs division will fall back slightly, however, to nearly 11,285 by the end of 1991-2 and to 10,619 by the end of 1993-4.

The changes in staffing levels form part of the department's three-year management plan published yesterday, formulated to see Customs and Excise through the completion of the European single market.

The period also covers the department's transition to executive agency status under the government's Next Steps initiative.

The initiative is intended to improve standards within those parts of the civil service which directly serve the public.

Customs and Excise has been given a budget for 1991-2 of £229.5m, an increase of nearly nine per cent on the previous twelve months.

In return, the department's 29,905 employees were expected to raise revenue of more than £50bn on behalf of the exchequer, a figure which will be considerably higher as a result of the taxation changes announced in the budget.

Sir Brian Urwin, the chairman of Customs and Excise said yesterday: "The budget proposals will have a significant impact on our work, especially in the VAT area where we have the first rate change for 12 years".

Customs and Excise will also be enforcing import and export prohibitions and restrictions. For example, on arms and ammunition, and implementing changes to the way its collects and controls VAT, excise duties and trade statistics on intra-community trade arising out of the single market.

Union leader deals blow to Labour's wage policy

By Michael Smith, Labour Correspondent

THE opposition Labour party's hopes of presenting a united front with trade unions on wage bargaining in the next election were dealt a severe blow yesterday when Mr Bill Jordan, AEU engineering union president, said there were significant problems with the party's plans for reform.

He said Labour and union leaders would have to spend considerable time on the plans before they could be presented as a credible policy.

Mr Jordan also outlined his union's opposition to controversial clauses on co-ordinated pay bargaining and a national minimum wage in a Trades Union Congress paper which unions are being asked to endorse today.

The stand by the AEU, one



Jordan: questions Labour party policy

of Labour's strongest supporters, is the most significant indication yet of deep reservations among unions about the party's reform plans. It weakens the likelihood of unions being unable to agree a united policy on the issues.

The divisions will grow as the party develops more detailed policies. Wage bargaining is likely to be the most controversial issue at September's TUC congress, assuming it precedes an election.

The paper being presented to today's meeting of the TUC economic committee follows last year's congress decision to examine systems of co-ordinated bargaining, common in European countries.

The review was launched in spite of fears that co-ordinated bargaining could lead to a form of incomes policy of the type introduced by Labour in the late 1970s.

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UK NEWS

Telephone users protest at new tax charges

By Hugo Dixon

TELEPHONE users yesterday threatened not to pay their full telephone bills after it emerged that British Telecom, the UK network, was planning to over-charge customers about £60m through extra tax charges over the next three months.

Ms Vivienne Peters, executive secretary of the Telecommunications Users Association, which represents BT customers, said that she and her colleagues would be deducting the extra Value Added Tax (VAT) charges from their bills before

paying BT.

Ofitel, the telecommunications regulatory body, also called on BT to explain why it was charging the new VAT rate of 17.5 per cent on all bills issued after April 1, even if the calls were made before the new rate came into effect.

BT said that it would not be keeping any of the extra £60m for itself, but would be passing all of it on to the Exchequer. It said that it had been forced to charge the new rate of 17.5 per cent, which was announced in

last month's budget, because Customs & Excise had not given it enough time to alter its computer programmes.

It said that, if it had not charged its customers the higher VAT rate, it would have lost the £60m itself - a sum which represents about a week of BT's pre-tax profits. While accepting that in principle it was wrong that customers were being charged the higher VAT rate on calls before April 1, BT is understood to feel that it should not be forced to pay

for what it regards as a panic measure put in place by the Government to reduce the poll tax.

BT said that it had asked Customs & Excise for a six week extension before the new VAT rate was applied in which to reprogramme its computers, so that they could cope with applying the old rate of 15 per cent for calls made before April 1. The government refused this extension.

Ms Peters accused BT of being "very disloyal to their

customers". She said the company had taken the easy way out and that once again the user was being "clobbered".

Ms Peters said that BT could protect customers from the extra VAT payments in a number of ways: either they could reprogramme their computers and send their bills out a little later, or they could charge a VAT rate which varied between 15 per cent and 17.5 per cent according to the proportion of calls made before April 1.

Rescued by the 'do nothing' department

Michael Cassell on a rare decision to give a government grant to a struggling company

THE "do nothing" Department of Trade and Industry, as it is labelled by its detractors, is not best known for helping to bail out with public funds ailing subsidiaries of large, successful businesses.

But the provision of a £2.9m grant to help rescue a manufacturing company in the north of England has effectively cocked a snook at its critics. Whether the wind of change in the highest levels of government, or mounting attacks on its alleged failure to support manufacturing industry are having an effect, remains unclear.

The grant, one of the largest recently provided by the DTI under its regional selective assistance scheme, has saved more than 700 manufacturing jobs at one of the three biggest employers in Rochdale, where unemployment is already over 11 per cent, creating new jobs in a company which appeared to have no long-term future.

The injection of funds into TBA Industrial Products, a wholly-owned subsidiary and an original part of T&N Group,

the 120-year old international automotive components and engineering business, follows a short but intense campaign by the company and local MPs.

The decision has helped save a business which exports half its £28m annual turnover and contributes a net £15m a year to the country's balance of payments.

Mr Bob Bates, TBA managing director, said: "Companies facing the sort of problems we confronted can go downhill very rapidly. Now I am certain we have a bright and secure future. The workforce and the town is delighted".

Mr Bates took over last year, and found the business struggling to make minimal profits under the historical burden of high overhead, fixed costs - it operates from a 1m sq ft, former cotton mill - and facing a steady falling off in sales in its traditional markets.

Tighter controls on the use of asbestos, the core of its manufacturing operations, had proved a bombshell, said Mr Bates and the company's "scattergun" attempts to find new products and markets was fail-

ing. The process of corporate decline, which had reduced the workforce from a peak of 2,700, intensified.

Mr Bates immediately rebuilt his board, lopped 80 staff jobs and drew up a three-year investment plan, costing nearly £18m, aimed at modernising the premises and introducing new plant and equipment.

The company had already identified three principal market areas upon which it intended to concentrate, and now decided to focus on high-growth, niche markets within them. TBA manufactures industrial textiles - including a range of fireproof clothing and bullet-proof vests for the Army - industrial sealing products and a number of composite materials, some of which are used in heat shields by the automotive industry.

T&N operates rigid and demanding targets governing returns on investment and, given its subsidiary's performance, it was not prepared to advance all the required funds. The choice facing Mr Bates and his colleagues was stark: to find the additional cash else-

where or watch the business fade away. There was, he insists, no bluff involved.

The company enlisted the help of Sir Cyril Smith, the Liberal Democrat MP for Rochdale and Mr Geoffrey Dickson, the Tory MP for the adjoining Littleborough and Saddleworth. Together, they sought an urgent meeting with Mr Edward Leigh, the industry minister.

A robust case for assistance was presented to the minister at the end of January and a decision to help, recommended by the Industrial Development Advisory Board, was confirmed by the DTI towards the end of March.

Announcing his decision, Mr Leigh said the company had long played an important part in the local economy and it was important that it should continue to do so. Others factors, he seemed, had outweighed the government's disinclination to intervene directly to help struggling businesses.

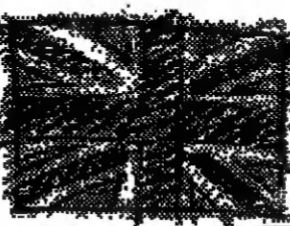
Sir Cyril says: "To think of Rochdale without TBA would

be inconceivable. All of Rochdale's life, the company has been part of the fabric of our society. I am absolutely delighted that it is here to stay".

The company is now also seeking extra funds from the Rochdale Training and Enterprise Council and the European Social Fund to help introduce new training programmes. The DTI, which was warned last month by the House of Lords Committee on Science and Technology that Britain would end up without any significant manufacturing industry if market forces alone were allowed to determine the course of events, is happy to demonstrate that it can use its discretionary powers to protect existing jobs under the Industrial Development Act 1983.

Despite its philosophical reservations, the department expeditiously will spend £27m during the current financial year in regional selective assistance. It will rise to around £15m next year and the year after. The "Enterprise Department" can, when pushed, still come up with some cash.

BRITAIN IN BRIEF



Swedish poster censured

H&M Hennes, the Swedish-owned chain of fashion shops, has been rapped over the knuckles by the Advertising Standards Authority for one of its poster advertisements.

The advertisement, which featured a woman modelling lingerie with the slogan "Last time we ran an ad for Swedish lingerie 78 women complained. No men", attracted 117 complaints. A number of the complaints came from men.

Some complainants questioned the accuracy of the ad. Others criticised it as "offensive". The ASA, the self-regulatory body which monitors public criticism of advertising, upheld the complaints.

The Hennes ad was only one of a number of advertisements criticised by the ASA in its latest report on the grounds that they were offensive or insensitive in their portrayal of women.

ATI records go missing

Computers containing records of Adventure Travel International have disappeared from the offices of the failed school tours operator, according to one of the company's receivers.

Mr Alan Mackay of accountants Ernst & Young, who was appointed to the West Yorkshire-based group last Friday, said: "We have advised the police that some of the company's computer equipment, primarily the main operating equipment, disappeared in the afternoon of last Wednesday (April 4)".

If ATI's booking records are missing, it may hamper Abta's efforts to discover what refunds are due to customers whose trips were cancelled.

Rail pay talks break down

Fears of another summer of commuter chaos have arisen after all three rail unions rejected a £124m pay offer.

BR offered a 6.5 per cent wage deal to 118,000 staff, but Mr Jimmy Knapp, general secretary of the Rail, Maritime and Transport Union, said: "Unless there is a significant improvement in the offer, the question of industrial action must be a possibility."

There was a series of

one-day strikes in 1989 before BR agreed to an 11-month deal giving its workforce an increase of 9.3 per cent. BR said its offer struck a reasonable balance between its ability to pay in "unfavourable economic circumstances and the aspirations of its staff".

Belfast meeting looks to future

The timing and venues for talks on Northern Ireland's political future were discussed at a meeting of the Anglo-Irish conference in Belfast.

Mr Peter Brooke, the Northern Ireland Secretary, and Mr Gerry Collins, the Republic of Ireland's foreign affairs minister, were clearing the decks to enable inter-party talks to get under way within the next few weeks.

A final meeting is expected later this month to announce a formal suspension of the conference while negotiations take place.

Mr Collins and his colleagues raised concerns with Mr Brooke about the role of the Ulster Defence Regiment and recent loyalist killings of Roman Catholics.

Labour accused of distortion

Mr Chris Patten, Tory party chairman, accused the Labour opposition of exaggerating by hundreds of thousands the number of people sleeping rough in Britain.

Labour quoted a figure of



Patten disputes Labour's homeless figures

half a million people in its local election leaflet. On the day before the main parties launch their local government election campaigns, Mr Patten urged Labour "to produce the evidence on which this extraordinary claim is based."

He said voluntary organisations estimated between 2,000 and 3,000 people slept rough in London with up to the same number in all the rest of the country.

New road signs for motorway

New electronic road signs aimed at cutting congestion and reducing accidents will be installed on the M25 London orbital motorway, according to Mr Christopher Chope, the minister for roads and traffic.

The signs are able to flash up to 24 characters, warning motorists of hazards ahead and displaying speed restrictions.

Drivers will be able to choose alternative routes well in advance of an accident or contra-flow, helping to prevent traffic jams.

Recycling waste will cost £200m

The government's commitment to recycle a quarter of household waste in the UK by the end of the century will cost an additional £200m a year according to Mr John Barton, one of the government's own experts.

He estimated that it will cost each household an additional £9.60 which is likely to be passed on through the local authority rating system.

He warned that the high costs are likely to inhibit the introduction of high recovery recycling schemes if local authorities are expected to shoulder the full financial burden.

Mr Barton is head of the material recovery division of the Warren Spring's laboratory which is an agency operating under the government's department of trade and industry.

Ulster factory to modernise

Adria, the largest hosiery manufacturer in the UK, has announced a £14m modernisation. The company based, a wholly-owned subsidiary of Derbyshire-based Charnos, employs 825 at Strabane in Ulster, one of the UK's worst unemployment black spots.

PR companies form network

Ten public relations consultancies from different parts of the UK are joining forces to form the Proclaim Network.

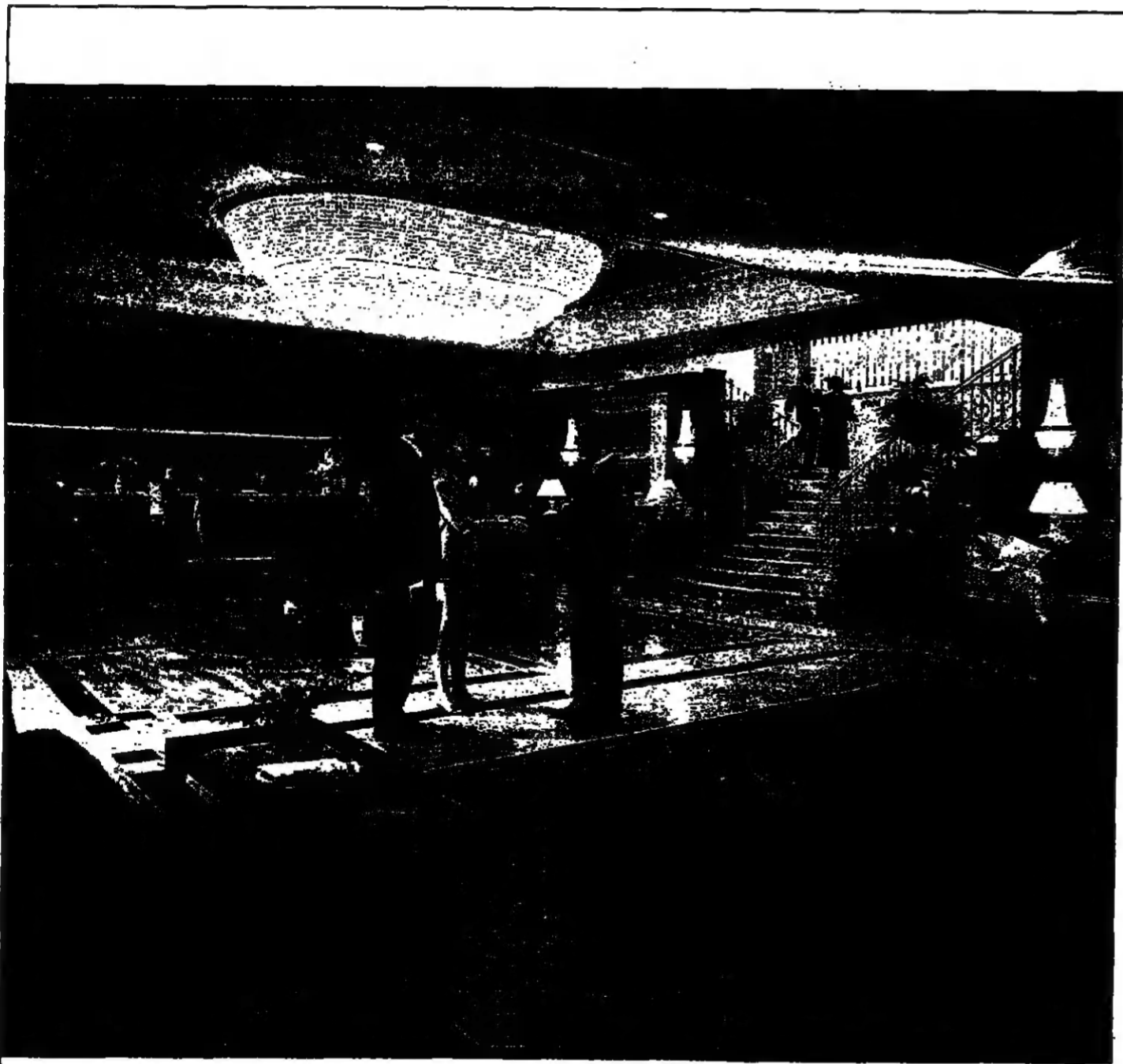
The network, which will be run as a joint venture with a London co-ordinating office, includes companies with combined fee income of more than £2m and clients such as Vauxhall Motors, the subsidiary of General Motors, and KPMG Peat Marwick McLintock.

Conservation body launched

English Nature, which has the task of looking after England's countryside has been launched by Mr David Trippier, the environment minister.

English Nature, was created from the break-up of the Nature Conservancy Council, has a budget of £32.8m and a staff of 720.

It will work alongside conservancy councils for Scotland, Wales and Northern Ireland on the Joint Nature Conservation Committee.



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MANAGEMENT

How Toyota filters its component suppliers

John Griffiths reports on the Japanese car maker's exhaustive search in the UK



Bryan Jackson (left) and Jim Robinson: committed to Europe-wide procurement

Toyota, Japan's largest car maker, is in the very last stages of whittling down to 150, from 2,000, the would-be suppliers of prototype components to its \$700m UK car plant now under construction in Derbyshire.

Toyota would be desperately vulnerable to any short-comings in its parts suppliers. It buys in 75 per cent of the value of its cars, compared with only around one half for European vehicle makers.

Yet far from "importing" tried-and-trusted Japanese suppliers, Toyota insists that when all its Derby suppliers are disclosed they will include only a handful of Japanese companies. The vast majority, it says, will be based in the UK and continental Europe.

The disclosure by Lucas Industries on Monday that it is to supply prototype brakes, batteries and wiring harnesses to the Derby project provides yet further proof that Toyota is paying more than lip service to maximising "local" (EC, not just UK) content, insists Bryan Jackson, a Toyota Motor Manufacturing UK director, and Jim Robinson, its parts procurement manager who has overseen the selection process.

The point was underlined by managing director Yukihiko Hirano at a Welsh Development Agency conference last month when he talked of "mis-perceptions" about the so-called Japanese "transplants".

"Toyota has never asked any Japanese companies to set up in Europe," Hirano declared. "Among the companies from whom we have ordered prototype parts only a few are Japanese, and they were established in Europe before we made our decision to manufacture here."

The list has been drawn up on the basis that the companies' technological abilities, investments in research and development, plant, equipment and other resources are of a standard that should allow long-term partnerships to develop with Toyota.

And while Hirano stresses that "there is a great deal of work ahead," his senior management maintains that there appear to be no insuperable problems over quality standards or the prices Toyota is prepared to pay for its parts.

The prototype parts supply winners, who also stand to gain the overwhelming majority of full production orders for components when the assembly line at the 280-acre site starts rolling towards its

200,000 cars annually next year, will not formally be listed until two months' time. But they include British engineering group GKN, Pilkington Glass subsidiary Triplex, Firelli, the Italian tyres and cables group which has a subsidiary at Burton-on-Trent, and instrumentation group VDO.

The process by which Toyota has arrived at its supplier list should be assimilated by any European supplier seeking a share of Japanese "transplant" business, which is expected to continue expanding in Europe throughout the next decade.

Even though the first car will not come off the line at Burnaston, Derbyshire, until December 1992, the selection process is already three years old. It began in early 1989, with Toyota's European administrative office in Brussels compiling initial data on 2,000 potential suppliers.

At this initial stage, "we had to get a feel for the thinking behind the Japanese system, it has clear-cut advantages over the old European ways," says Jackson. "It's rather difficult to have a relationship with 1,000 suppliers," observes Jackson. "It's much better to have fewer, who are more closely involved."

Closer involvement in Toyota's case has meant short-listed companies being asked to quote for entire product groups, not individual components, "to give them a larger, more worthwhile chunk of the business," says Jackson.

At the 400-candidate stage, the selection process became much more painstaking. Over a period of 10 months a number of multi-disciplinary Toyota teams assessed capabilities according to four key criteria:

- management capability and attitude;
- production and manufacturing facilities, and level of investment in technology;
- quality control systems and philosophy;
- research and development capability.

This stage of weeding out reduced the 400 to 250, who were then asked to submit firm costs "to give us a feel for price

competition". All were then deemed acceptable in terms of their potential to meet quality and price standards.

The first prototype parts orders were issued as far back as last October, and the stream of components is already flowing fast, with most expected to have been received by Toyota by the end of this month. The orders cover a sufficient breadth of components to take prototypes up to the 80 per cent "local" content, although this is not scheduled to be reached in terms of commercial production until early 1995. Toyota fully expects to hit the 60 per cent level within 6 months of start-up, however.

The awarding of prototype contracts means, if anything, an intensification of contacts between Toyota and its would-be production suppliers. Toyota is continuing to give a series of presentations to all of them to reinforce awareness of its expectations.

A total of eight such meetings have been held already, and another series will be held as the project moves from prototype stage to the awarding of production parts contracts. "It's a physical demonstration that being a supplier to Toyota is going to be different," stresses Jackson. "You start to change your mind set. One of

our philosophies is to motivate people - people are capable of doing much more than is usually required of them, and we ask them to demonstrate it."

The process, Robinson claims, is a two-way street, with Toyota not necessarily seeking to impose Japanese methods by dictat. As one small example, Japanese and European manufacturers differ in the way gearshifts are usually made. But, says Robinson, it is clearly not cost-effective for a European factory to throw away large investments already made, "so that supplier will be left to cope just as long as the product meets Toyota's standards."

Suppliers have been left in no doubt what those standards are - they are showered with pro forms which minutely detail what has been discussed and understood between supplier and vehicle maker.

For most suppliers, it was a wholly alien approach and many grumbled in the early stages that there was far too much paperwork. "But then they came to realise that this way every eventuality gets covered. No-one has to interpret anything, because it's all there in black and white."

Subsequently, says Jackson, "they have been very impressed by the thorough-

ness." Toyota is, as yet, reticent about claiming that widespread attitude changes might be taking place - "you can never be sure what goes on behind locked doors," says Jackson. "But some have been very enthusiastic about making the investments needed, and they seem to expect that Toyota will make a lot of demands, particularly about quality. The ones that I've seen are all getting very much caught up in the process."

The 1,850 unsuccessful would-be suppliers are being encouraged not to think they are permanently excluded. "We've had a lot of replies to our 'Dear John' letters at least thanking us for fairness and thoroughness of the selection process," says Robinson. Adds Jackson: "Those who failed have still got to be treated with respect. It is totally wrong for many of them to think they might have been saying they're not up to scratch - inherently within these organisations there is a lot of capability."

Nor should they think they are excluded from Toyota business for good, he stresses. A widespread belief that Japanese vehicle companies form links for life with suppliers on a single-sourcing basis is wholly erroneous, he declares.

As for long-term relationships, they required continually to be earned, Jackson stresses.

Throughout, Jackson emphasises Toyota's need for partnership with suppliers rather than the adversarial relationship between vehicle makers and their suppliers so common in Europe.

To that end, Toyota has set up technology "help" teams. "If a supplier has difficulty understanding what we want, or how to go about it, we really want to go out and explain our production systems to them. That might sound patronising but it's not intended to be... the idea really is to give assistance rather than check on what's been done."

At a personal level, Jackson and Robinson acknowledge some - not severe - culture shock. Within the European industry, says Jackson, he was used to instant decisions, involving little detail. "It was 10 minutes to make the decision, 10 to implement it and three months to correct it. In Toyota there's three months' discussions, 10 minutes to approve it, and no time correcting it."

There is, he says, a simple way to adjust - "you just hang your ego on the coathook with your coat."

Why quality links manufacturing and business strategy

By Simon Holberton

The table below shows what 500 of the world's top manufacturing companies believe to be the most important competitive priorities facing them in the next five years.

The data used to construct the table is a result of the three-way research project - Factories of the Future and under way since 1983 - involving INSEAD, the Fontainebleau-based business school, Waseda University in Tokyo, and the University of Boston.

The European survey results have already been published (see this page, 21 January). As was noted then, what is startling about this research is the dominance of phrases lifted from the literature of total quality management and the spin-off disciplines of just-in-time manufacturing and manufacturing production planning.

But what makes the combined survey relevant is, however, what it tells us about the subtle but important differences in manufacturing priorities throughout the industrialised world. This is especially so as far as comparisons with Japan, on the one hand, and the US and Europe, on the other, are concerned.

In the US, manufacturers place a greater importance on the ability to compete on price than do the Europeans. This latter are focused on quality and delivery to their customers. The largest differences are found when the Japanese are compared with the Occidentals.

The Japanese also place a strong emphasis on quality and quality-related issues, but they assign a much higher priority to their ability to make rapid design changes in highly customised products. The Japanese factory is being designed

to build an ever changing stream of products.

The survey also underlined the growing importance of training and management development as an important catalyst in change. This is especially so in the US where, in answer to where money spent on improvement programmes would go, four out of the top five programmes were concerned with "people" management.

Over the next two years, US manufacturers think that the greatest advances in quality and cost will come from positioning their workforce to make a greater contribution to improvement (through training in statistical process control), and by breaking functional boundaries.

Japanese manufacturers are placing emphasis on the development and improvement of fundamental process technologies.

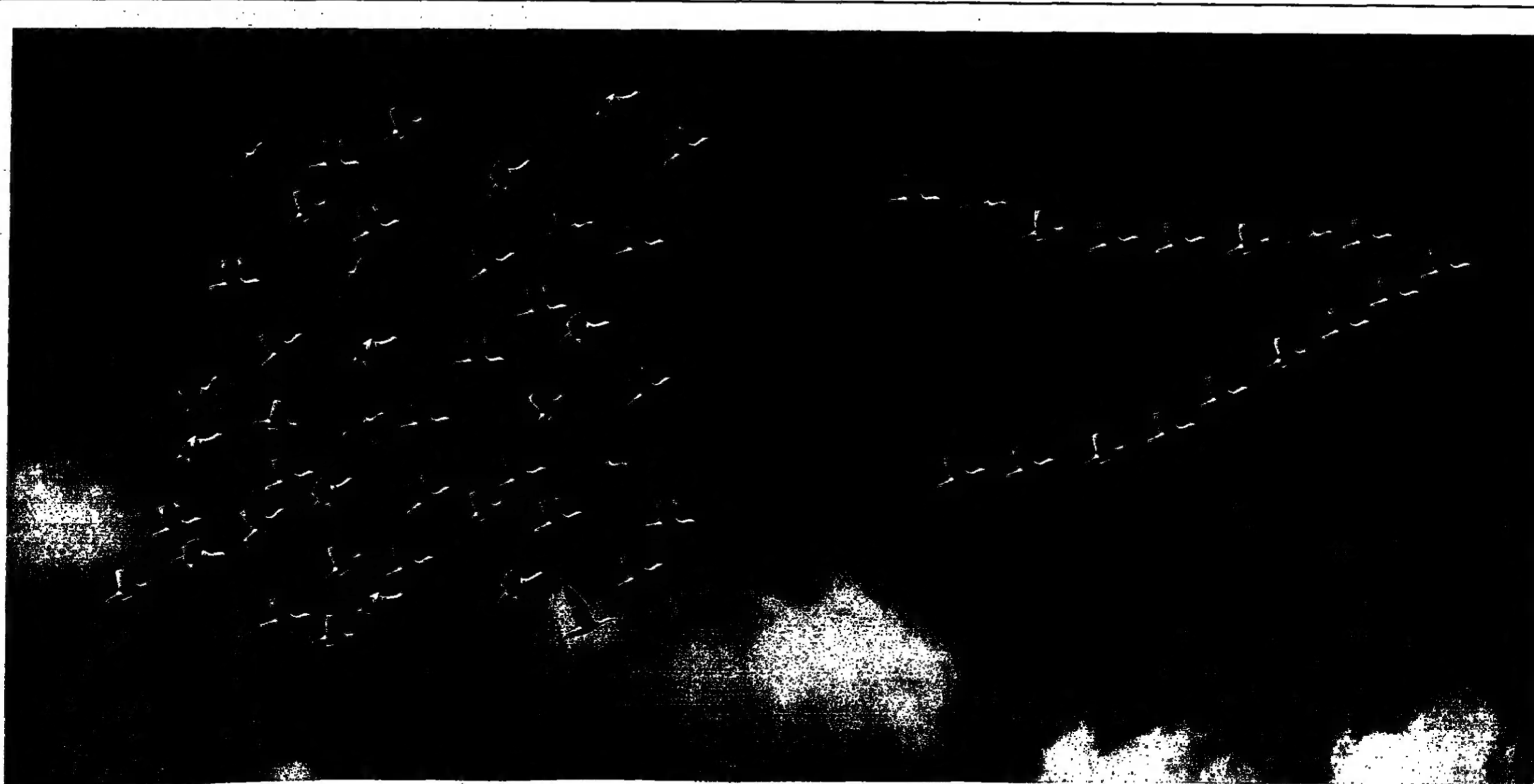
This supports the main thrust of their factory development which is directed toward factories which can make reliable, rapid design changes in customised products.

The 1992 single market is exerting a strong influence on European manufacturers; they are looking to restructure their organisations. The report notes that restructuring implies a simultaneous change in their culture, co-ordination techniques, and organisational design.

Despite the differences between the regions, an all embracing theme links them: the development of businesses in which manufacturing strategy is tightly linked with business strategy.

For copies of "Factories of the Future", write to: Arnold De Meyer at INSEAD, Boulevard de Constance, F-77300 Fontainebleau Cedex, France.

Competitive priorities in the next five years		
EUROPE	JAPAN	UNITED STATES
Conformance quality	Reliable products	Conformance quality
Dependable delivery	Dependable delivery	Dependable delivery
Reliable products	Rapid design changes	Reliable products
High performance	Conformance quality	High performance
Fast delivery	Product customisation	Price competition



Which group will arrive first?

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BUSINESS AND THE ENVIRONMENT

Chlorine takes a nosedive

Manufacturers of chlorine compounds have been affected more than any other sector of the chemicals industry by pressure from environmental campaigners.

The phase-out of chlorofluorocarbons (CFCs) is the most obvious sign of this, but the production of many other chlorine chemicals is declining fast.

Euro Chlor, the chlorine industry's trade association, says that European production fell by 4.8 per cent in 1990, from 9.72m tonnes to 9.29m tonnes. The decrease in the UK was 7 per cent.

Manufacturers say that the aggressive environmental campaign against chlorine – summed up by Greenpeace's slogan "Chlorine-free by '95" – is not justified as a whole. But they accept that there are some areas in which the use of chlorine chemicals should be discouraged.

Apart from CFCs, chlorinated solvents are the most important group of chemicals whose production and consumption the industry is working to reduce. They are recognised as being harmful to the atmosphere – contributing both to the greenhouse effect and to ozone depletion – and are toxic in large concentrations.

To help its customers use less chlorinated solvent, ICI, the UK chemicals giant, last week launched a solvents recovery and disposal scheme. ICI Chlor-Chemicals has on call a team of specialists who will collect used solvent for recycling or safe disposal – depending on how dirty it is – from customers anywhere in Britain.

Chlorinated solvents are used mainly as cleaning fluids by electronics, engineering and general manufacturing companies. They are also used in the high street for dry cleaning – many people smell traces of solvent when they pick up clothes from the cleaners.

"In the end we want to be in the position of 'lending' the solvent to the customer," says Bob Hunt, general manager of ICI Chlor-Chemicals.

CC

From the roof of Ciba-Geigy's production Building K90 in Basle the view clearly shows why the three big Swiss chemical companies have had to invest heavily in cleaning up their manufacturing operations.

Both banks of the Rhine are lined with chemical and pharmaceutical plants run by Ciba-Geigy, Sandoz and Roche. Fingers of chemical production stretch from the modern suburbs through 19th-century residential districts almost to the medieval city centre.

Thomas Jakopp, manager of Building K-90, points to the offices of the local newspaper, the Basler Zeitung, surrounded by Ciba-Geigy plants. "The reporter can get here before the fire brigade," he jokes.

"We're much more exposed to the public living around the plant than the big German companies, which almost have a cordon sanitaire around their plants," says Kaspar Eigenmann, of the corporate safety and environment department.

Because the Basle chemicals industry is so visible to the local population, the growing green movement of the past decade has forced it to spend millions of Swiss francs on environmental protection. At the same time, countries further down the Rhine – France, Germany and the Netherlands – have put pressure on Switzerland to pump less effluent into the river.

The incident that brought these feelings to a head was a serious fire in Sandoz's Schweizerhalle chemical warehouse in 1986, which led to the discharge of 30 tonnes of toxic waste into the Rhine. But Ciba-Geigy has had to bear the brunt of the environmental spending, because it produces larger volumes of chemical waste than Sandoz or Roche.

Ciba-Geigy spent Sfr273m (£106m) on environmental protection in the Basle area in the decade up to 1989 and plans to spend Sfr261m over the five years 1990-95.

"In the past the chemical industry has focused on 'end-of-pipe' solutions. Now we're going increasingly for process optimisation," says Jakopp.

End-of-pipe solutions involve installing special equipment to deal with wastes emerging from a chemical plant – for example a biological treatment plant in which micro-organisms break down toxic compounds or an incinerator in which high temperatures destroy them. Process optimisation means altering the methods of production so that

Chemicals companies have been a prime source of pollution. But the industry is working hard to reduce waste at the production stage. In a third article on the environmental challenges facing European business, Clive Cookson looks at Ciba-Geigy's manufacturing operations

less waste comes out of the plant. Occasionally chemists come up with a clean new reaction pathway. A recent case from Ciba-Geigy is a chemical known as an amide, which is required as an intermediate in pharmaceutical manufacturing. The original reaction used three tonnes of raw materials, including highly corrosive phosphorous trichloride, and 12 tonnes of water, to produce one tonne of product. Some 14 tonnes of effluent containing toxic materials had to be treated in a purification plant.

This has been replaced with an entirely new process using 1.9 tonnes of raw materials and no water. It produces one tonne of the same product, with 0.6 tonnes of pure acetic acid which can be recycled in other processes and just 0.3 tonnes of solid organic waste that can easily be incinerated.

Such a radical change is unusual. Normally, making chemical production more environmentally acceptable is an accumulation of many small improvements. Ciba-Geigy's Building K-90, which was constructed in the early 1980s to manufacture dyes, offers several examples.

● The original 30-year-old reaction vessels are still in use but they are now monitored with the latest computer-controlled analytical instruments and not just by a worker judging the colour of the liquid by eye. This makes it easier to stop the reaction at the right point and reduce the amount of unwanted by-products.

● The old filter presses are being phased out and replaced with more efficient presses.

● "We have to do a risk-benefit analysis on the product and allocate the environmental costs properly to it," says Eigenmann. "If we want to adhere to our environmental goals and the product cannot be manufactured at a competitive price, we must either change the process or discontinue the product. With big-

selling products you can afford to invest a lot of time and effort to make the changes."

As well as reducing liquid wastes, Ciba-Geigy is making a big effort to cut emissions into the air, particularly vapour from organic solvents. For example Building K-976, where optical brighteners for textiles are made, emitted 30 tonnes of

organic vapour per year into the atmosphere of Basle until 1988. Some of this was eliminated by streamlining the production process, but K-976 would still have failed to meet Switzerland's stringent new air pollution laws which take effect in 1992. So the company has just spent Sfr4.5m installing a "catalytic oxidiser" – in

The way to make a clean break



A Ciba-Geigy chemist adjusts the dyestuffs production process

The number of filtration steps – and therefore the flow of liquid waste – is reduced.

● Liquid spilled from the reaction vessel used to flow directly down the drain. Now the drains are plugged and the liquid stays on the factory floor until the staff responsible clear it up. The new system has reduced the number of spills tenfold, Jakopp says.

"Because if the worker has to stand around in his own spill, it gives him a real incentive not to do it."

In the case of some chemicals, Ciba-Geigy has been unable to change the production process enough to make it environmentally acceptable and economically viable. Jakopp says the company has taken about 40 dyes off the market for environmental reasons.

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effect a mini-chemical plant on top of the building which processes all air from K-976 and converts organic vapour into harmless water and carbon dioxide.

Ciba-Geigy tries to make its 90,000 employees take as much personal responsibility as possible for the company's environmental performance. This policy is enshrined in Vision 2000, an official statement of corporate goals which Ciba-Geigy adopted last year. It says that the company will give equal weight to its economic, social and environmental responsibilities: "Respect for the environment must be part of everything we do. We design products and processes to fulfil their purpose safely and with as little environmental impact as possible."

Within that broad remit, Ciba-Geigy's environmental policy is decentralised. Some other international chemical groups, such as ICI, set goals for overall performance but Ciba-Geigy leaves the target-setting to the managers of individual production sites.

The Basle management decided last year to bring the local goals home by issuing an

Oekogenda (Eco-Agenda) to 250 production supervisors. This includes a series of cards covering the main environmental issues. Each card gives the 1991 goal for the works as a whole (for example a 4 per cent reduction in energy consumption and 20 per cent cut in emissions of organic solvents), for the department and for the individual supervisor.

However heroically individuals work towards their personal environmental goals, and however ingeniously the company improves its manufacturing processes to generate less waste, end-of-pipe solutions are still necessary to meet increasingly stringent regulations.

Basle's most ambitious project for treating chemical effluent is the Fro Rheo system, built jointly by the local authorities and chemical companies at a total cost of Sfr630m during the late 1970s and early 1990s. It includes large-scale biological treatment facilities and an incinerator to destroy residual sludge.

But Ciba-Geigy has been fighting for four years to get permission to build an additional incinerator for the toxic waste it produces in Basle. Until now the Sfr120m project has been blocked by local environmental campaigners who object to the idea of building a chemical incinerator in the city, but this year the company expects to be able to start building what Hans Kindler, a Ciba-Geigy executive director, calls "an essential part of the equipment for operating a chemical industry". The company says that incinerator would be entirely safe and that it is immoral to export toxic waste for disposal elsewhere.

Alex Krauer, Ciba-Geigy chairman, is clearly exasperated by some of the criticism and some of the environmentally inspired delays that the company suffers in its home city. Even so, he says that the relationship between Ciba-Geigy and the citizens of Basle "has improved after a critical period when we had the Schweizerhalle accident."

"Before that it seemed superficially to be very good. Then we had the accident and we established a different, more open kind of relationship. We are more willing to talk to people who are critical of the chemical industry. I'm happy about what we have today, even if we have opponents and we are sometimes frustrated."

Other manufacturers of adipic acid in the US and Europe, including ICI, Bayer and BASF, then said that they too would eliminate nitrous oxide emissions as quickly as possible. ICI emits about 250 tonnes a day of the gas from its Wilton plant on Tereidale.

The manufacturers are now engaged in technical discussions to identify the best technology for doing so. Du Pont says that its process involves recycling some nitrous acid (by converting it to nitric acid) and burning off the remainder.

Previous articles in the series examined environmental audits and product design. Next week's page looks at marketing.

Nitrous acid gets last laugh

The chemicals industry is to make a co-operative effort to eliminate industrial emissions of nitrous oxide, a gas which contributes both to global warming and to destruction of the ozone layer in the upper atmosphere.

Earlier this year two scientists at the University of California at San Diego, Mark Thieme and William Troglor, identified the manufacture of adipic acid – an essential ingredient in the production of nylon and other polymers – as a significant source of nitrous acid in the atmosphere.

They estimated that nylon production could be responsible for as much as 10 per cent of the annual increase in the atmospheric concentration of nitrous acid. Most nitrous acid comes from natural sources, such as the action of bacteria in the soil and oceans.

Nitrous acid is the third most important greenhouse gas and its atmospheric concentration has been rising since the Industrial Revolution. It is more commonly known as "laughing gas" through its use in high concentrations as an anaesthetic, particularly by dentists, and it also has applications in the food industry.

As soon as Thieme and Troglor published their findings in *Science*, Du Pont, a leading US producer of adipic acid, announced plans to eliminate nitrous acid emissions within the next five years.

"We got the answer out before most environmentalists had even asked the question," says Tony Vogelsberg, a Du Pont environmental manager.

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CC

Race around Barcelona before the Olympics.

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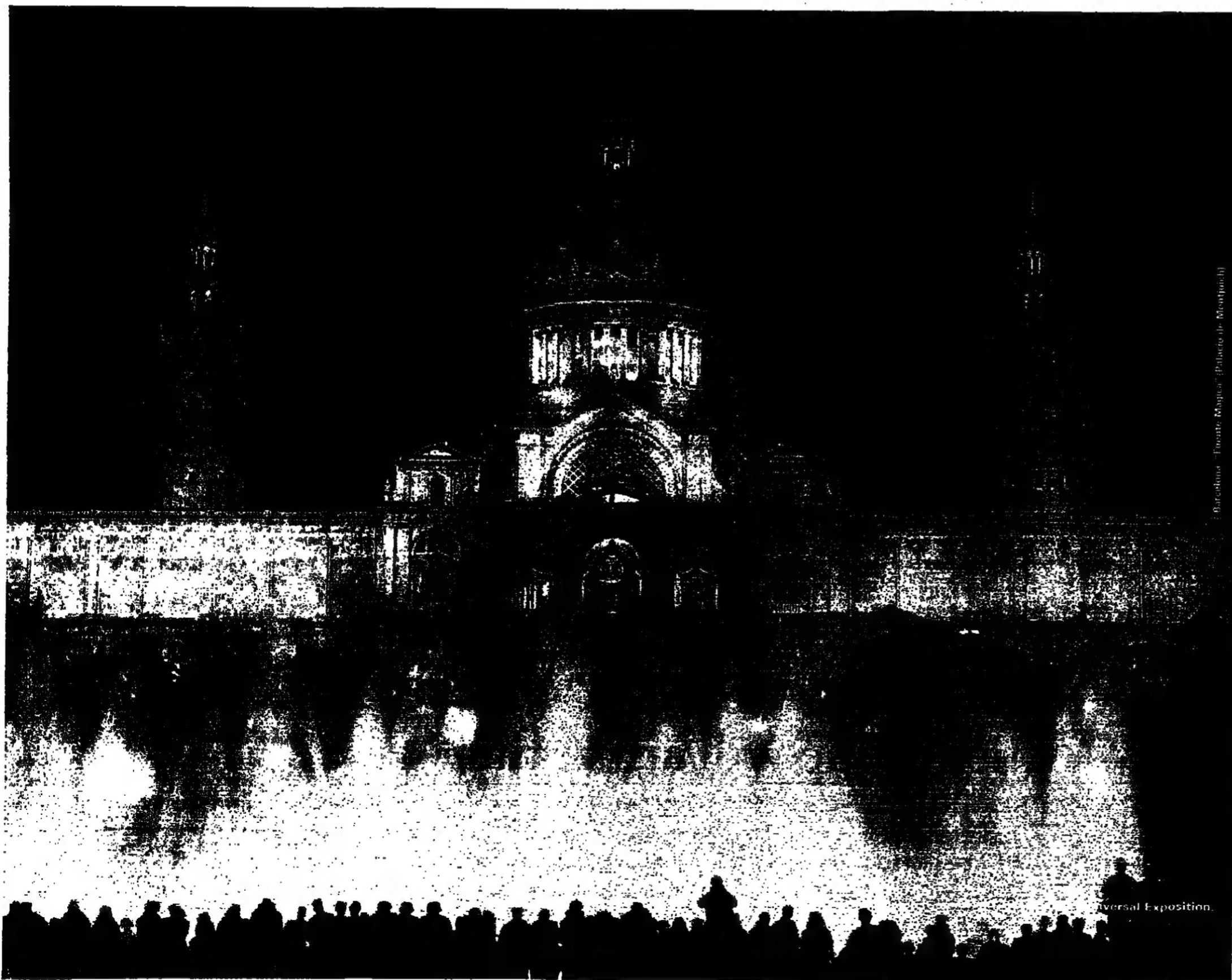
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EXPO'92



APRIL 10 1991

INTERNATIONAL COMPANIES AND FINANCE

Total to absorb OFP subsidiary

By George Graham in Paris

TOTAL, the French state-controlled oil group, plans to absorb its portfolio investment subsidiary, Omnium Financier de Paris (OFP), adding FF1.5bn (\$230m) to its capital.

The oil company said yesterday that it proposed to merge with OFP on the basis of nine of its own shares for four of OFP's.

OFP groups a portfolio of holdings in a variety of listed and unlisted companies, including Financière Agache, the holding company of Mr Bernard Arnault, head of the LVMH group, BNP, the savings bank, and Christian Dior, the fashion house.

The announcement provoked immediate howls of indignation on the Paris stock market.

which it appears to value OFP at FF1.5bn (\$230m) owned by Total, at 10 per cent less than its market price of FF1.770 before its suspension on Monday.

Total officials said last night, however, that the ratio was calculated on the basis of the last 20 stock market trading sessions, rather than just the last price before suspension. They said OFP shares had risen substantially in the days preceding the suspension, partly because of the similar operation announced last week by Alcatel Alsthom on its subsidiary Générale Occidentale.

Under French company law, the merger proposal has to be approved by auditors and by

shareholders' meetings of both companies to be held in June. If it is agreed, shares will automatically be converted, unlike an "Offre Publique d'Echange", where minority shareholders have the option of choosing to keep their shares.

A number of French companies have used the merger procedure in recent months, often arousing the annoyance of minority shareholders, as in the case of the absorption by Pinault, the leading French timber group, of Compagnie Française de l'Afrique Occidentale (CFAO).

Total officials calculate that OFP's net asset value of FF2.120 per share gives a ratio of two for one when compared with Total's FF1.055 per share.

Recent stockbrokers' reports, however, have estimated OFP's net assets at FF2.360 per share, valuing the whole company at FF4.7m. The company's market value before its suspension on Monday was around FF3.5bn.

Total also confirmed yesterday that it made net profits of FF4.00m last year, after a shift in accounting practice to a replacement cost method for valuing stocks, rather than its former first in, first out method.

This represents more than double 1989's profits on a comparable accounting basis.

The company said it proposed to pay a dividend of FF2.25 per share, up 15 per cent from last year.

Mowlem aims to raise £45.6m with rights issue

By Maggie Urry in London

JOHN MOWLEM has become the latest UK building group to ask its shareholders for cash with a rights issue for £45.6m after expenses. Yesterday, it also reported 1990 pre-tax profits down 38.3 per cent to £34m. Despite the combination of news, its shares rose 12p to 355p.

Sir Philip Beck, chairman, said there were reasonable grounds for expecting some recovery in Mowlem's activities this year and there were opportunities for profitable expansion using the rights money. Initially, the issue will cut the gearing from 35 per cent at the year-end to 15 per cent.

The money will be used to expand the group's hire shops, buy land for the housebuilding division after two years out of the market, cover the £7m cost of extending London City Airport and make acquisitions, probably in continental Europe.

Sir Philip said he was "reasonably confident" of gaining planning permission for a longer runway at the City airport in the next three months. This would allow the use of Bae 146 jets enabling flights to more European destinations.

The issue is a 1-for-5 at a price of 265p. Mowlem plans to maintain its 15.50p final dividend to give an unchanged total of 21p, requiring a £3.2m transfer from reserves.

The full year pre-tax profit result follows a 20 per cent fall at the interim stage to £18m. Profits of £55m in 1989 were before an exceptional charge of £23m covering a write-down of the City Airport investment and expected losses.

Group turnover was 16.6 per cent higher at £1.52bn, but operating profits fell 44.3 per cent to £37.3m. The interest charge was £3.9m (£13.1m).

Mowlem has long-term debt at 11.1 per cent and was able to invest spare cash at rates sometimes above 15 per cent. Earnings per share were 24.1p compared with 46.5p excluding the exceptional item of 14.6p including that.

Scaffolding and contracting profits were unchanged on a pre-tax basis, Sir Philip said.

Spanish Finance Ministry replaces Tabacalera head

By Peter Bruce in Madrid

MR MIGUEL Angel del Valle-Inclán, president of the large Spanish tobacco group Tabacalera, has been forced out of office in what appears to be the climax of a political confrontation with the Finance Ministry, which controls 52 per cent of the company.

A Finance Ministry spokesman yesterday confirmed that Mr del Valle-Inclán, who has been running Tabacalera for just over two years, would be replaced at an extraordinary shareholders' meeting tomorrow by Mr German Calvillo Urabeyen, president of Fomento de Comercio Exterior (Focoex). Focoex promotes Spanish exports and is ultimately controlled by the Finance Ministry and the Industry Ministry.

Rumours of tension between Mr del Valle-Inclán and the Dirección General del Patrimonio (the Finance Ministry holding company that also controls Telefonica) first surfaced last year but have never been explained. In his two years in office, Mr del Valle-Inclán began wide-reaching restructuring of the Tabacalera group following its disastrous attempts in 1987 to copy other tobacco groups and diversify.

Tabacalera's distribution monopoly in tobacco fell away after Spain entered the European Community in 1986. Although its control of the company brought a string of food businesses, mainly from other state institutions, to try to spread its business risk. Many of the companies turned out to be loss-makers, however, and in the past few months Tabacalera has sold five food retailing and production subsidiaries and is currently trying to offload its loss-making dairy group, Lasa.

Some 25 per cent of Tabacalera is held by foreign shareholders, and the markets had begun to reward Mr del Valle-Inclán's disposals with a recovery in share prices. He had planned to hold on to the five tobacco businesses in Spain and Portugal bought for \$53m in 1989 and to merge them with the meat processing group Caracasa, one of the few profitable companies it bought from the state.

He planned to convert Tabacalera into a holding company, possibly to be privatised in 1994, with interests in tobacco, foods, distribution and financial services in insurance and property.

Good sales of Virginia tobacco, investment in a modern cigarette plant in Cadix, and falling raw material costs, meanwhile, helped boost per cent company pre-tax profits 17 per cent to Pta 16.5bn (\$153m) last year. Although analysts were taken by surprise by Mr del Valle-Inclán's removal, they expected corporate strategy to remain largely unchanged.

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Laird down on weak demand

By David Owen in London

LAIRD GROUP, the car parts, building products and packaging company, has suffered an 11 per cent decline in annual profits as start-up costs for new manufacturing plants and weak demand for some products in France and the UK took their toll.

Pre-tax profits for the year to December 31 fell to £38.88m (\$60m), compared with £43.68m in the year before, on turnover fractionally ahead at £498m, against £487.2m.

In spite of the decline and the prospect of a hard year in store, the shares - which have climbed from a low point of 154p in January - edged ahead a further 2p to 239p.

"Our view is that in earnings terms, 1991 will be difficult, but that in business terms the business is in quite good shape," said Mr Ian Arnott, finance director.

The company, which sold substantially all of its original mechanical engineering businesses during the course of the 1980s, attributed last year's downturn to start-up and personnel training costs amounting to more than £3m in Spain, the US and Germany; a fall in overall profitability in France due to a drop in demand; and depressed conditions in the UK construction industry.

Fried Krupp returns to profit

By David Goodhart in Bonn

FRIED KRUPP, Germany's diversified steel and engineering group, returned to profit in 1990 after three difficult years of restructuring, Mr Goodhart said yesterday.

After a loss of DM450m in 1989, the group will report a pre-tax profit of DM360m (\$206.5m) for 1990 with a pre-tax profit of DM100m for Fried Krupp GmbH, said Mr Goodhart.

Under French company law, the merger proposal has to be approved by auditors and by

shareholders' meetings of both companies to be held in June. If it is agreed, shares will automatically be converted, unlike an "Offre Publique d'Echange", where minority shareholders have the option of choosing to keep their shares.

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over speculation, usually centred on the Iranian government's 25 per cent stake. Most of the rest of the company is owned by a private trust.

Thanks to the sale or closure of several loss-making companies and the sale of half of the trading division to the Lombard group, orders and sales were both down in 1989, orders to DM15.4bn (\$9.8bn) and sales to DM15.8bn (\$9.8bn). The plant building division still made losses, but they were sharply reduced.

Thyssen reported that sales in the first five months had risen 6 per cent to DM14.4bn, but repeated that earnings in the current year were likely to be down on last year's. The company is investing DM5.5bn, of which DM780m is going on a new steel furnace at its Duisburg works.

MAN said that buoyant demand from east Germany had helped its truck division increase orders by 44 per cent in the first nine months of 1990-1991. Incoming orders increased to DM6bn despite a fall in orders from some other European countries, and sales for the year are expected to top DM5.7bn.

Mannesmann's 1990 sales have increased slightly to DM24bn. The company also reported some progress in the key negotiations with the state-owned Telekom over leased lines for Mannesmann's private sector digital mobile phone network. The Bundespost has rejected Telekom's offer as too high. A decision on the price that Mannesmann must pay, crucial to profitability, is expected at the end of June.

However, energy division sales fell slightly over the first six months to DM14bn and sales fell nearly 5 per cent in the machine building division. Mr Gieseke stressed that "strengthened internationalisation" remained a top priority. In the current year RWE has acquired the US waste management group ENR.

He also announced that subsidiary Rheinbraun hopes to take a 50 per cent stake in the Dupont-owned Consolidated Coal Company, the second largest US coal producer.

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RWE reports sales up 9% to DM36.3bn

By David Goodhart

RWE, the German diversified utility, yesterday reported a 9 per cent increase in sales to DM36.3bn (\$21.42bn) for the first nine months of the year and said it expected a "clear" increase in earnings at the year's end.

Earnings rose by DM40m in the first six months, and Mr Friedrich Gieseke, chairman, said that the dividend decision

was running to plan. However, energy division sales fell slightly over the first six months to DM14bn and sales fell nearly 5 per cent in the machine building division.

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April, 1991

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TUBE CORPORATION

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Alex. Brown & Sons Incorporated Deutsche Bank Capital Corporation Dillon, Read & Co. Inc.
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genzyme

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Kidder, Peabody & Co. Incorporated

Cowen & Company

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Montgomery Securities Nomura Securities International, Inc.
Prudential Securities Incorporated Robertson, Stephens & Company
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This portion of the offering was offered in the United States and Canada.

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WEDNESDAY APRIL 10 1946

**Ministry
era head**

The plan to dispose with a view to their prices, he explained, is to hold on to the Alaska business in Seattle, the national lounge in Spokane, and to merge them with the other processing plants in case one of the two proved unprofitable. It brought him

He planned to convert the others into a holding company, to be privately owned, with interests in insurance, distribution and other services in insurance properties.

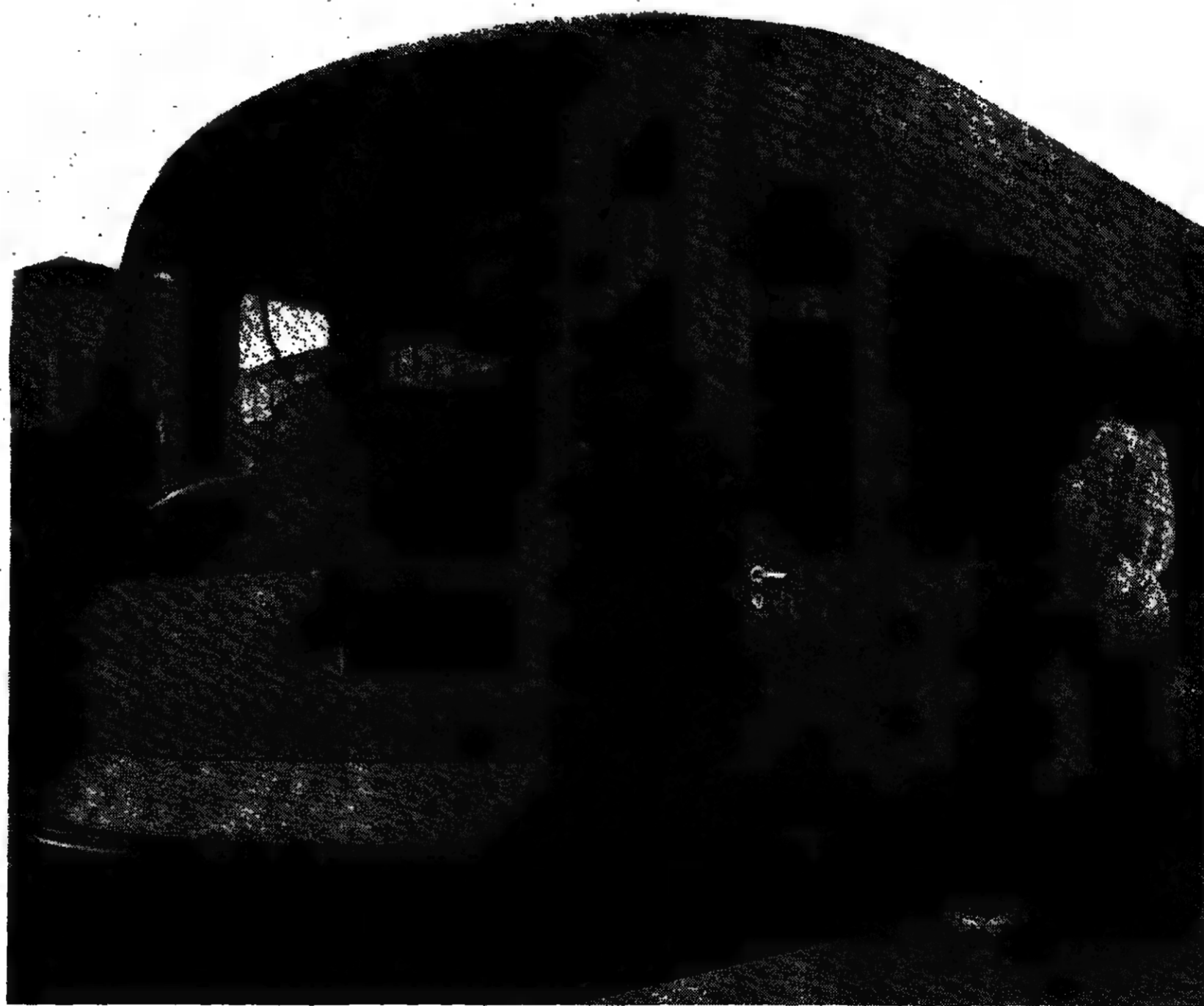
He said sales of the plant investment in the new cigarette plant in Chicago and touring the market would be helped by the company's gross profit per cent to the 15.50 per cent. Although the plant was taken by surprise in the Wall Street's market, the expected company will remain in the market.

Marzotto sees net profits slip by 9.7%

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INTERNATIONAL COMPANIES AND FINANCE

Chrysler in deal with CLS over distribution in Europe

By Andrew Baxter in London

CHRYSLER of the US is handing over the European distribution of replacement parts to a small subsidiary of Caterpillar in a move that underlines the growing importance of high-quality distribution to companies building a pan-European presence.

The deal is the most comprehensive to date for Caterpillar Logistics Services, formed by the US construction equipment group in 1987 to handle distribution for other companies by "leveraging off" Caterpillar's expertise in product support.

Chrysler said the agreement was another key component of its expansion into the European and middle eastern markets, which began in 1988. The

deal also covers Africa. Starting early next month, CLS will order Chrysler parts for shipment from the US, warehouse them in a 90,000-sq ft facility near Brussels, and distribute them to 30 countries. Distributors in the three regions currently receive their parts from centres in Michigan and Wisconsin.

Terms of the deal were not disclosed, but Mr Steven Waring, CLS vice-president, said the agreement was a long-term relationship. CLS would be a further significant

CLS, whose clients range from Land Rover in the UK to Maytag in Florida, has

notched up annual sales growth of 30 per cent more and employs more than 900, split roughly between the US and Europe.

The company sees good growth prospects in both continents, but especially in Europe. This is partly due to the "1993 effect" and the need for distribution to be reorganised on a pan-European basis, but also because the third-party concept is more familiar to European companies.

For Chrysler, the new distribution arrangements will be particularly useful when production of mini-vans begins later this year at Eurostar, a Graz-based joint venture with Austria's Steyr Daimler Puch.

Hasbro extends its \$470m offer for Tonka

By Karen Zagor in New York

HASBRO, the biggest US toy maker which offered \$470m to acquire Tonka, maker of Play-doh and Tonka trucks, yesterday said it would extend its offer until Saturday, but it could not be extended much longer.

Hasbro, which offered Tonka common stock holders \$7 a share for their shares, said about 13.5m or 90 per cent of the common stock had been tendered to date. Hasbro needed only 51 per cent of the stock for the deal to go ahead.

But a large number of bondholders believed they were given short shrift in the deal and have not tendered. Hasbro has offered 80 cents on the dollar for \$192m outstanding of Tonka's 16% per cent series A subordinated debentures and 75 cents on the dollar for the \$190m outstanding Tonka 17% per cent series B subordinated debentures.

To date, only \$28.3m principal amount of series A debentures and \$26.5m principal amount of series B debentures have been tendered. Under the terms of Hasbro's offer, Hasbro needs 90 per cent of the principal amount of each series.

Mr Gary Hassenfeld, Hasbro's chairman and chief executive, said: "We consider the \$470m offer for Tonka's business to be a fair and fair price and we do not intend to pay more than \$470m for the business. If all of the parties can quickly agree on a restructuring of our \$470m offer so as to obtain the participation of the debenture holders, we would be willing to modify our offer accordingly."

"We believe that Hasbro's cash offer is clearly superior to any of the alternatives facing Tonka upon the termination of our offer, including bankruptcy, the piecemeal sale of assets or debt restructuring," he added.

In March, Tonka turned in a surprisingly large fourth-quarter net loss of \$18.5m, or \$1.27 a share, and predicted a loss for the 1991 first-quarter.

Shares in Tonka fell 4% to \$7.4 yesterday morning while Hasbro's issues lost 3% to \$24.

Dow Jones hit by fall in advertising

By Martin Dickson in New York

DOW JONES, the publisher of the Wall Street Journal and other company publications reflected the national economic slow-down in this year's quarter earnings - conditions which were

Net income totalled \$17.96m, or 15 cents a share, compared with \$17.8m, or 15 cents a share, in the same period last year. Consolidated operating income dropped 24.5 per cent to \$46.85m, while revenues were off 2.4 per cent at \$416.6m.

Mr Peter Kann, president,

said reduced advertising in the Wall Street Journal and other company publications reflected the national economic slow-down in this year's quarter earnings - conditions which were

Operating income in the group's business publications operation, which includes the weekly newspaper Barron's, fell 61 per cent to \$10.79m on

revenues down 9 per cent at \$172.31m. The Wall Street Journal dropped 11.1 per cent, with less issue of the Journal published in this year's quarter than last. On a like-for-like basis, Journal revenues dropped 20 per cent.

However, the information services operation, which includes Telerate, the electronic financial news business, produced operating income of \$38.18m, up 6.5 per cent, on

revenue 4.4 per cent ahead at \$192.4m. Telerate, acquired by the company a year ago, produced strong results in its overseas operations, the company said. This was mainly

Operating income at Ottaway Newspapers, the company's local newspaper division, fell 39.6 per cent to \$2.7m on revenues down 2.8 per cent to \$51.9m. Advertising income at Ottaway dropped 11.4 per cent.

US corporate bond defaults at record high

By Patrick Harrington in New York

A COMBINATION of recession, deteriorating consumer confidence and weak earnings in the retail, homebuilding and

industries pushed US corporate bond defaults to a record high in the first quarter of 1991, Moody's Investors Service, the debt rating agency, said.

According to Moody's, companies missed payments on

bonds in the first three months of 1991, compared with the 19 companies who defaulted on \$5.7bn of debt in the same period last year.

The airline industry was responsible for the biggest defaults as rising fuel costs and a sharp drop in passengers in the wake of the Gulf war put debt-laden carriers into deeper trouble.

Pan Am defaulted on

estimated \$1.1bn in bonds, TWA on \$68m, and Midway on \$11.5m.

Two-thirds of the airline industry's \$3.2bn in speculative grade debt is now in default as a result of the recently-missed payment deadlines.

One new entrant has already defaulted this quarter: Metro Airlines missed payments on \$18m worth of bonds on April 1.

If defaults continue at their current rate, 1991 will be the worst year on record for missed bond payments.

As ratings of high-yield debt continue to weaken, only a strong recovery in the economy and values in a new emphasis on curtailing high leveraging, will cut bond default in pre-1989 levels, the debt rating agency said.

Telebras profits climbs 82%

By Victoria Griffith in Sao Paulo

TELEBRAS, the Brazilian state-owned telecommunications group, yesterday announced an 82 per cent increase in real net profits to R\$21.15m (US\$410m at current unofficial rates) for 1990, up from an inflation-adjusted R\$11.6m a year earlier.

The group put the rise down to a lower inflation rate and a cost-cutting programme which slashed 3,057 employees from the pay roll.

Telebras invested \$2.1bn last year, most of which was used

to install 507,000 telephone terminals. It also invested in exchange improvements, which led to a fall in congestion rates to 24 per cent in 1990. As a result, telephone use picked up significantly - local calls registered a 7 per cent increase and long-distance calls 16 per cent.

The group billed a total of R\$21.09bn in telephone charges up from an inflation-adjusted R\$11.6m. It benefited from a large non-operational gain resulting from sign-on

for new users of almost R\$2.5bn and profits on investments of R\$2.7bn.

Strong profits allowed Telebras to declare a dividend of R\$0.038 (US\$0.07) for 1990, a real increase of 10 per cent on the previous year.

A generous share buy-back programme on telephone calls, authorised by the Brazilian government, was also good news for the group, which expects 1991 to be an extremely profitable year.

Les Cooperants to sell minority holding

By Robert Gibbons in Montreal

LES COOPERANTS, a large financial services group, plans to sell a minority holding in its main licensed insurance subsidiary to France's Caisse Nationale de Prevoyance.

The first step will be to convert Les Cooperants from a mutual into a joint stock company. The French company would then effectively put in new capital to support expansion, mainly in the US.

Caisse Nationale is owned by a French government agency, the Caisse des Depots. SNC Group, one of Canada's two biggest engineering

groups, is buying Ginge-Kerr of Copenhagen, a leading supplier of industrial and marine fire control systems, for cash.

The Danish company, with annual sales of about C\$25m, specialises in control systems for offshore oil and gas equipment.

It will complement Securix, a former British company acquired by SNC three years ago and which specialises in industrial and marine electronic fire control systems.

SAMMI group of South Korea is raising capacity of an electric plant at Tracy, near Montreal, from

80,000 tonnes yearly to 300,000 tonnes in a C\$500m (US\$434.7m) four-year programme.

The plant was built 25 years ago by Atlas Steels, then controlled by Britain's RTZ group. RTZ sold Atlas Steels nearly two years ago to Sammi for C\$250m.

Atlas then had annual sales of nearly C\$500m and was profitable, but RTZ decided its Canadian arm, Rio Algom, should concentrate on its extensive mining interests.

Sammi, in expanding the Tracy plant, is benefiting from low electricity rates.

Ikea homes in on the US market

Nikki Tait on a store hoping to transplant a Swedish retail concept

AMERICA has been the graveyard for many foreign retail ambitions.

From Britain alone, names such as Laura Ashley and Sock Shop have come to grief in the US soil, while the management of the retail chain, Home Stores, is in a constant state of flux.

Only a sprinkling of concerns, such as Benetton and Body Shop, stand out as examples of companies which have recently transplanted a retail concept from their domestic markets to the US with some success.

But is Ikea, the Swedish retailer, about to join the list of failures? Last month, amid much ribbon-cutting, the Stockholm-based furniture and home-furnishings chain opened its seventh US store in Hicksville, Long Island.

The 225,000-sq ft outlet follows two openings last year, in California and New Jersey. At least one further site, near Los Angeles, has been lined up for 1992. According to Ikea, sales in the US are growing at 30 per cent a year and should reach around \$250m this year. In short, the US has become Ikea's fastest market for expansion.

Yet - superficially at least - the thing seems less than fortuitous. Despite the success of some niche chains, the US retail market is in a dreadful state, awash with price-cutting

and resalient consumers. Analysts at Salomon Brothers, for example, estimate consumer spending will remain virtually flat this year. A modest 2 to 2.5 per cent increase, they add, is the most that can be expected in 1992.

Furniture, moreover, is at the sharp end of the wedge in the US. Furniture sales in the US declined steadily throughout 1990, and although there was a revival in February, the monthly figure was still down by a third on the same month in 1990.

Meanwhile, the American Furniture Manufacturers

price-conscious, if stylish, consumer, for example, start at \$200 and furnishings for an entire bed-sitting room, including bookcases and coffee tables, are advertised at \$658.

Its competition, too, is highly fragmented: there are reckoned to be hundreds of thousands of furniture retailers in the US and virtually no national chains. Even so, local competitors can be vicious. Seaman's, which is New York-based, chose to have a 24-hour promotion on the day the Long Island store opened. Moreover, Ikea cannot be

natural in the US. Certainly, the distinctive Swedish style of making furniture is a major attraction to the US consumer, although by carefully sitting stores in more suburban communities, the cultural differences may be muted.

The Long Island outlet, brightly clad in blue and yellow paint, but still stripped down to resemble a warehouse inside, is similar to ones in London or Paris.

Much of the merchandise is flat-packed, and the canny funnelling of customers through upper level showrooms, before they can start buying goods on the ground floor, is standard in all locations.

So far, the reception has been favourable. New Yorkers, never the most long-suffering of customers, have complained about stock shortages in the New Jersey store, but seem to find the cheery approach, the speed of delivery, and the accompanying services - from strollers to children's playrooms - extremely

"I think we've got a lot to learn," remarked the American Furniture Manufacturers Association.

And, at the end of the day, the potential of the market justifies the effort. "There are 18m people in New York," said Mr Carstedt, pointing out that this is more than the populations of Sweden, Norway and Finland combined.

Add on California's 24m citizens, and even the cautious Mr Carstedt looks a little excited.

Sears, Roebuck to open 42% fewer stores

By Barbara Durr in Chicago

SEARS, Roebuck, struggling to keep its title as the world's largest retailer, will open 42 per cent fewer stores this year than last.

The company has been revamping its merchandising division for three years, but so far without it being reflected in

positive results on the bottom line. Sears, Roebuck announced plans for 36 new or relocated multi-line stores in 1991, down from 45 new store openings in 1990.

Mr Edward Brennan, the company's chairman, has been trying to cut the core merchandising group's costs to make it more competitive.

A programme, including the elimination of 55,000 jobs by the end of this year, aims to slice \$600m off the pre-tax level of 1991 expenses.

Roebuck operated 863 stores in all US states and Puerto Rico last year.

The merchandise group's 1990 income was down by 36 per cent to \$412.6m - before a \$155.2m restructuring charge related primarily to severance plans - from \$646.5m in 1989. Sales grew by a meagre 1.2 per cent last year.

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Prices for contracts designated for the purposes of the electricity pooling unit in England and Wales.

Trading Prices for Wheat Futures on Chicago Board of Trade			
Contract	Pool Price	Pool Price	Pool Price
	Price	Price	Price
	16.27	16.28	16.29
	16.27	16.28	16.29
0130	16.27	16.28	16.29
	16.27	16.28	16.29
0200	16.27	16.28	16.29
0205	16.27	16.28	16.29
0400	16.27	16.28	16.29
0405	16.27	16.28	16.29
0500	16.27	16.28	16.29
0505	16.27	16.28	16.29
0700	16.27	16.28	16.29
0705	16.27	16.28	16.29
	17.10	17.11	17.12
	18.18	18.19	18.20
	20.48	20.49	20.50
	20.54	20.55	20.56
0800	20.47	20.54	20.57
0805	20.47	20.54	20.58
1100	20.47	20.54	20.57
	20.47	20.54	20.57
1200	22.82	22.85	22.88
1205	22.82	22.85	22.88
1400	22.82	22.85	22.88
1405	22.82	22.85	22.88
1600	22.82	22.85	22.88
1605	22.82	22.85	22.88
1700	22.82	22.85	22.88
1705	22.82	22.85	22.88
1800	22.82	22.85	22.88
1805	22.82	22.85	22.88
1900	22.82	22.85	22.88
1905	22.82	22.85	22.88
2000	22.82	22.85	22.88
2005	22.82	22.85	22.88
2100	22.82	22.85	22.88
2105	22.82	22.85	22.88
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2700	22.82	22.85	22.88
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2800	22.82	22.85	22.88
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10075	22.82	22.85	22.88
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10255	22.82	22.85	22.88
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10445	22.82	22.85	22.88
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10460	22.82	22.85	22.88

INTERNATIONAL COMPANIES AND FINANCE

Japan's banks offer property lifeline

Stefan Wagstyl on bankruptcies and bail-outs in a struggling sector

ARE you, property agents in Japan, posting leaflets through letter-boxes to land-owners whether they had any unwanted sites to sell? Today, the agents pin fly-leaflets to lamp-posts in a hunt for buyers.

A combination of rising interest rates and flat or falling prices has pushed the most notorious of the industry war zones into the limelight. Property companies are beginning to swell the ranks of the bankrupt. Some groups are surviving only with the help of the banks.

"I've been involved in the business for 15 years, but I've never experienced a situation as severe as now," says Mr Yukio Sato, founder and chairman of Dai-ichi Real Estate, which, with debts of ¥1.47bn, is one of the largest of Japan's financially-troubled property companies.

The question is, how long can the industry last? Developers believe they can already see light at the end of the tunnel, arguing that for every distressed seller there is a buyer looking for a bargain. But others say that the late 1980s boom will take a lot longer to fade out.

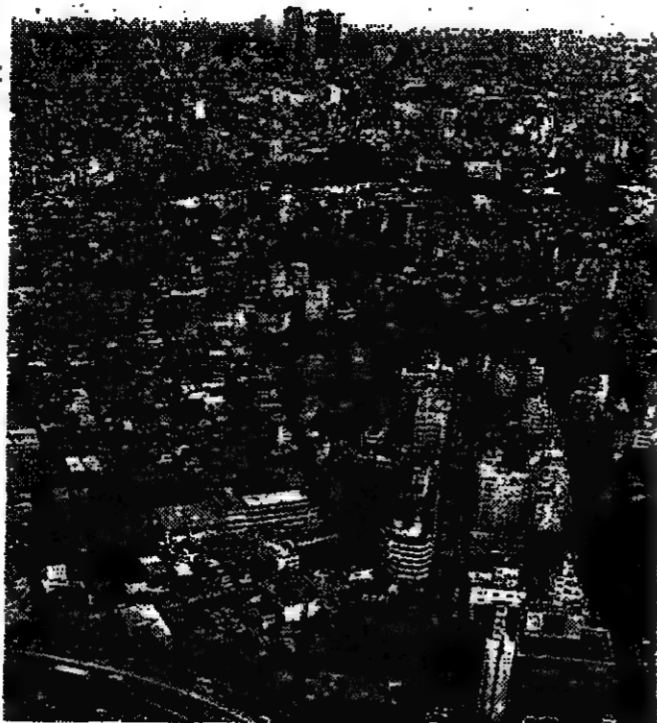
The property market in Japan, as a whole, is not one market but many. While recession has gripped most corners of the industry its effects vary greatly as does its impact on individual companies.

Accurate price data is hard to come by. The government's National Land Agency reported last month that prices in 1990 rose 11 per cent nationwide, including 7 per cent gains in Tokyo and in Osaka. The official figures tend to lag the market and to understate price changes. But they do show that the boom in prices which started in Tokyo, then spread to Osaka and then reached outlying regions, is well and truly over.

In Tokyo and Osaka, which account for the lion's share of the market, real estate agents report a varied picture, with prices barely moving in some prime parts of Tokyo and plunging by as much as 30 per cent in some non-prime districts in Osaka.

In the commercial district of central Tokyo prices have fallen very little, if at all. Mitsubishi Real Estate says that a decline of even only 10 per cent would produce a stream of buyers. In central Osaka, property brokers report a similar picture, though with somewhat less evidence of weakness than in Tokyo.

However, one reason why prices are holding in prime areas is that the best sites have never very common, have virtually disappeared. Demand, remains very firm, with vacancy rates for top-class buildings at 10 per cent in Tokyo and 0.6 per cent in Japan as a whole. The amount,



In prime areas of Tokyo property prices are still holding up

of new office space coming on to the Tokyo market in the next five years is about double the total for 1985-90.

At the other extreme the prices of secondhand flats have fallen by some 40 per cent from their peaks in parts of Osaka and by 30 per cent in Tokyo. However, this is the most volatile and most liquid segment of the market - exaggerating both upswings and downswings. More new flats are coming on to the market, but prices have already begun to mark a recovery in response to the glut.

The residential land market, however, is in a much weaker position. In the commercial market, since it attracted more speculative buyers at the height of the boom - because individual owners of residential land were more willing to sell than the corporate owners of commercial land.

The speculators are now being forced to sell out. Mainly because the US dollar has fallen, the US dollar bank prices could fall a further 10 per cent in Tokyo - having already fallen 10 per cent - and 10 to 30 per cent in Osaka. By contrast, the broker believes prime commercial land will stay firm though non-prime prices could fall up to 30 per cent.

A survey by Yasuda Trust and Banking, a leading trust bank, came to a similar conclusion - further declines of 5 to 10 per cent in Tokyo, and 15 to 20 per cent in Osaka.

The sale is not one any dramatic falls in land values in Tokyo but the real estate market will be sluggish until the end of the year. Mr Munetaka Terachi, a Yasuda Trust director, "in regional areas, particularly in the Osaka

region, the drop will be savage but quick."

One sign which indicates the bottom of the market could be in sight comes from the market for golf club memberships, which reflects underlying land values. According to an index produced by the Japanese newspaper Nihon Keizai Shimbun, prices have risen by 4 per cent from lows at the end of 1990. Also in the stock market, the Nikkei index of listed property companies has risen 40 per cent from its low last year, compared with a 30 per cent increase in equities in general.

Even if land prices now follow stocks and golf club memberships, it will be a long time before the accumulated burden of debt and properties bought at over-priced levels is sloughed off the market. Government plans for a land holding tax are also making buyers wary. Mr Terachi sees "the present difficult conditions" persisting for at least another two years.

The cost of a long drawn-out recession will weigh heavily on over-borrowed companies and on their lenders. As the surge in prices in the late 1980s was fuelled by borrowed money, so a sharp decline in lending has been largely responsible for bringing the boom to a halt. Pressure from the Ministry of Finance and the Bank of Japan restrained first banks and subsequently non-bank finance companies.

The figures seem colossal - banks lent ¥22,000bn to property companies in the five years to 1990. Non-banks may have lent around ¥10,000bn, although they do not disclose data. However, the combined ¥32,000bn sum pales in comparison with the total esti-

mated value of Japanese property which is ¥22,000,000bn. Salomon Brothers, the US investment bank, estimates that no more than 10 per cent of urban land was bought and sold in 1986-90. Moreover, there are some 45,000 property developers and brokers in Japan, so the risks are well spread.

But if the danger of a general financial crisis is small, there is still plenty of scope for difficulties at individual companies and their creditors. Mikuni, a credit rating agency, estimates that corporate bankruptcies will rise from ¥1,900bn last year to ¥3,000bn to ¥5,000bn in 1991 and ¥10,000bn a year for 1992. "That is what the situation is at present," says Mr Akio Mikuni, the president.

Problems are concentrated among those developers which borrowed a lot and got into the market late. For example, the two largest property-related bankruptcies this year were those of Nanatomi, which owed ¥300bn, and Aoyama Development, which owed ¥140bn. Nanatomi started investing in property only in 1988 and Aoyama in 1987.

Some speculative investors are simply too big to be allowed to bust and are being bailed out by their creditors. In return, they are having to sell assets as fast as they can in a weak market. ESW, the UK newspaper company, announced from newspaper reports that large companies alone want to unload assets worth ¥1,100bn.

Bankers are particularly worried about the large big groups - Asahi, a property and stock market research company which has debts of around ¥500bn; Itohan, a trading company which borrowed ¥1,300bn and is now being bailed out by Sumitomo Bank; EIS International, a company with extensive investments overseas as well as in Japan - it owes about ¥500bn and is being bailed out by the Long Term Credit Bank; Dai-ichi Real Estate; and Shuwa, a property and stock market research company, which has secured emergency funds from Dai-ichi, a supermarket group.

So far, the banks have stood the strain. Under the guidance of the Ministry of Finance, big banks are taking over small banks which run into trouble, as Tokai Bank did with Sanwa Shinkin Bank, a small Tokyo bank, last month. No one knows whether a large bank will need a rescue. As Mr Mikuni says: "So far, Sumitomo has only one loan, LTCB has one EIS and so on. What happens when one bank has more of such problems?"

The Bank of Japan declines to say whether it would save a big bank from collapse. But the whole tradition of hands-on regulation in Japan leaves little room for doubt that in the last analysis the authorities would intervene.

Hopewell gains 21% mid-way

HOPWELL Holdings, the Hong Kong property and construction company, has increased net profits by 21 per cent from HK\$298m in HK\$361m, helped by income and the sale of one of its properties. AP-DJ reports from Hong Kong.

Earnings per share rose to 24 cents from 20 cents a year earlier, while turnover edged down 1 per cent to HK\$717m from HK\$727m. The group proposed an interim dividend of 12 cents from 11.

Hongkong Bank cuts stake in Cathay

By John Elliott in Hong Kong

HSBC Holdings, the recently-created, London-incorporated holding company of Hongkong and Shanghai Banking Corporation, has cut its stake in Cathay Pacific Airways, Hong Kong's international air carrier, from 15.63 per cent to 13.78 per cent.

Its indirectly-held subsidiary, Fort Hall, has sold 80m shares to Hysan Development, a Hong Kong-based property development company, for HK\$3.58 a share in cash, yielding the bank HK\$288m.

Hysan has had a 2.3 per cent stake in Cathay Pacific, which is part of the Swire Pacific group, for five years and now has 5.1 per cent. The shares will be held by Hysan itself or a wholly-owned subsidiary.

The sale is part of a gradual disposal by the Hongkong Bank of investments outside its core business of financial services. The bank first invested in Cathay 20 years ago to boost the airline's expansion. Analysts estimate that it will now try to find buy-

ers for its remaining 13.78 per cent, but the bank refused to confirm this yesterday.

Swire Pacific has a 51.8 per cent stake in Cathay. The other main shareholder is the Hong Kong offshoot of Peking-controlled China International Trust and Investment Corporation which has 12.5 per cent.

Two weeks ago, Cathay announced attributable profits of HK\$2,966m (\$384m) in 1990, from HK\$3,326m a year earlier. Turnover rose 14.7 per cent to HK\$19.5bn.

BRAZILIAN INVESTMENT COMPANY, SICAV
SICAV of Investment & Capital Markets
Registered Office: Luxembourg, 14 rue Aldringen
Commercial Register: Luxembourg Section B26.810

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS
The Annual General Meeting of Shareholders of BRAZILIAN INVESTMENT COMPANY, SICAV, will be held at its registered office in Luxembourg, 14, rue Aldringen, on April 18th, 1991, at 12.00 o'clock for the purpose of considering and voting upon the following matters:

- To hear and accept:
a) the management report of the directors
b) the report of the auditor.
- To approve the statement of assets and liabilities and statement of operations for the year ended December 31st, 1990.
- To discharge the directors and the auditor with respect to the performance of duties for the period ended December 31st, 1990.
- To elect the directors to serve until the next annual general meeting of shareholders.
- To elect the auditor to serve until the next annual general meeting of shareholders.
- Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

The Board of Directors

ROYAL TRUSTCO LIMITED
Yen 12,000,000,000 Reverse Dual -
Currency Debentures Due 1992
Notice is hereby given that the Rate of Interest has been fixed at 11.75% and that the interest payable on the relevant
Payment Date July 8, 1991 against Coupon No. 14 in respect of Yen 10,000,000 nominal of the Notes will be NZ\$1,294.69.
April 10, 1991, London
By: Citibank, N.A. (CSI Dept), Agent Bank **CITIBANK**

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SCOTTISH FINANCIAL AND PROFESSIONAL SERVICES

The FT proposes to publish this survey on May 16th 1991.
It will be of particular interest to the 93% and 40% respectively of Chief Executives in the UK, Eire and Europe who are regular FT readers. If you want to reach this important audience, call Kenneth Swan on 031 220 1199 or fax 031 220 1578, or write to him at Financial Times, 37 George Street, Edinburgh EH2 2JN

FT SURVEYS

NEW ISSUE

All of these Securities having been sold, this announcement appears as a matter of record only

April, 1991

2,000,000 Shares

IMMUNOGEN, INC.

Common Stock

400,000 Shares

PaineWebber International

Hambrecht & Quist
Incorporated

Montgomery Securities

This portion of the offering was offered outside the United States and Canada

1,600,000 Shares

PaineWebber Incorporated

Hambrecht & Quist
Incorporated

Montgomery Securities

This portion of the offering was offered in the United States and Canada.

CRI INSURED MORTGAGE ASSOCIATION INC.
USD 140,000,000
Guaranteed Secured
Floating Rate Notes due 1998

In accordance with the terms and conditions of the Guaranteed Secured Notes, notice is hereby given that for the period from April 10, 1991 to July 10, 1991, the Guaranteed Secured Notes will carry an interest of 8.5% per annum according to the outstanding principal amount of each note.

The relevant interest payment date will be July 10, 1991 and the coupon amount of interest payable per Guaranteed Secured Note will be USD 1,411.71.

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FT SURVEYS

Shandwick plc

£25,000,000
Revolving Loan Facility

Arranged by: Lloyds Bank Capital Markets Group

Provided by:
Lloyds Bank Plc
Barclays Bank PLC
The Fuji Bank, Limited
National Westminster Bank PLC

Lloyds Bank Capital Markets Group

Facility Agent:

ers, Inc.

ews

NO

Barclays launches L150bn five-year offer at 12 3/8 %

By Simon Latham

BARCLAYS Bank yesterday became only the second UK borrower (after British Gas last year) to tap the five-year market, launching L150bn of bonds in a deal led by the bank's London-based subsidiary, Banco Di Roma.

The five-year paper carries a coupon of 12 3/8 per cent and was issued at 101.56.

At a discount equivalent to full issue of 1 1/2 per cent, the paper yields 12.35 per cent - in line with other financial institutions in the sector.

For example, a recent L150bn five-year issue by Bayerische Vereinsbank, launched through Banco Di Roma in early March, currently yields 12.35 per cent in the secondary market.

The issue was swapped into floating-rate dollars by the borrower, achieving sub-Libor funding for the bank.

INTERNATIONAL BONDS

Alliance & Leicester became the third UK building society this year to tap the five-year market, launching L100bn of bonds in a deal led by the bank's London-based subsidiary, Banco Di Roma.

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The issue was swapped into floating-rate dollars by the borrower, achieving sub-Libor funding for the bank.

February, Alliance & Leicester's L100bn issue, led by the bank's London-based subsidiary, Banco Di Roma, was also well received.

The paper was priced to yield 12 3/8 per cent, the same as the other two issues.

However, the paper carries a strong guarantee from the Austrian government, which is itself triple-A rated.

In contrast, the other two issues issued by the government itself, which yield 12 3/8 per cent, are not guaranteed.

The deal, around £250m, arranged by J.P. Morgan, is being offered at a discount, with a coupon below market rates.

Urge for Mexican deals benefits Nafinsa

By Tracy Corrigan

NACIONAL Financiera (Nafinsa), the Mexican development bank, raised \$100m yesterday via J.P. Morgan, benefiting from growing acceptance of Mexican borrowers.

The 10 per cent bonds mature in 1996, but there is a put option after two years. They can be sold in the US private placement market under the SEC's Rule 144a.

A benchmark deal in the sector, a 10 per cent issue due 1996 for Femer, the state-owned oil company, has tightened from 320 basis points above US Treasuries at launch to a 280 basis points.

So the launch spread of 307 basis points above the two-year Treasury for the new Nafinsa deal was considered attractive, even though Nafinsa has an outstanding \$100m issue, also with a put option in 1993, trading at 307 basis points above comparable US Treasury.

The steady stream of Mexican borrowers coming to the capital markets looks set to continue. A \$500m registered Eurobond for Cemex, the Mexican cement producer, is expected in the next few weeks.

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Dealers fear fall-out from Italian crisis

Haig Simonian analyses concern over withholding tax treatment for foreign investors

F EARS among foreign investors that Italy's government crisis may have killed off moves to shake up the country's withholding tax have been eased by signs that prospects for a new procedure are still on course.

The news follows last week's widespread concern in the market after reports that a crucial meeting between senior officials of the Ministry of Finance, the Treasury, the Bank of Italy and external consultants had been cancelled at short notice.

That immediately provoked rumours among government bond dealers, who have eagerly been awaiting news on withholding tax, that all new policy initiatives had been frozen until Italy's political crisis has been resolved.

Such changes could have meant that the lengthy task of convincing ministers of the need to reform withholding tax procedures would start from scratch.

Although the signals from Rome are confused, it now appears that reform of the withholding tax structure for foreigners remains on course.

However, formal instructions have yet to be issued to local tax offices and technical issues remain to be resolved.

"We have heard the rumours and spoken to the ministries, who have reassured us on course and matters are now at the final stage", said one foreign banker in Milan.

With foreign banks accounting for a rising proportion of trading in Italian government paper, particularly at the long end, the stakes are high.

Foreigners' growing participation in the domestic bond market has played a big part in keeping down yields and helping the authorities to realise their long-standing ambition of stretching out maturities on the government's huge debt.

That, in turn, is seen as a vital tool in improving debt management and gradually lowering the interest burden.

Foreign buying played a significant part in the successful launch of Italy's first seven-year domestic fixed-rate government bond last May. And non-residents remained a significant force earlier this year when the government introduced its first 10-year fixed-rate domestic issue.

But the growing interest among international investors in longer term bonds has thrust the issue of withholding tax to the fore as complaints about non-payment rise.

The tax dates for September 1987, when a 12.5 per cent levy was brought in on all Italian government securities, doubling the 6.25 per cent that had been imposed in September the previous year.

In normal circumstances, such taxes would be reclaimable under double taxation treaties. However, in Italy's case, matters are complicated by three factors.

● The nation does not have double taxation treaties with a number of countries, notably Hong Kong and Taiwan.

● Those treaties that do exist are seldom standardised. Some allow the full percentage rate withheld to be reclaimed, while others set limits, with only the balance being refundable.

● Italy has a lamentable record in repaying tax credits.

Foreigners' growing participation in the domestic bond market has played a big part in keeping down yields and helping the authorities to realise their long-standing ambition of stretching out maturities on the government's huge debt. That, in turn, is seen as a vital tool in improving debt management and gradually lowering the interest burden.

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Safeway increases size of share offering

By Simon Latham

SAFeway, the US food retailer, has increased the size of its international share offering from 2m to 3.5m shares, following strong demand from UK investment institutions.

The international tranche is part of a 17.5m share offering, representing 18 per cent of the company's enlarged share capital.

The new shares were priced this week at \$30.5 per share, raising a total of \$106.7m.

Safeway was the subject of a \$4.2bn leveraged buy-out by

the same amounts to \$50.000 had managed by Goldman Sachs.

Initial filings with the US Securities and Exchange Commission indicated a price of between \$17 and \$20 per share.

This was later increased to between \$21 and \$23 per share and the issue was priced last week at the top end of the range.

Yesterday, the shares were trading at \$23.4.

Delta Airlines, the third-largest US carrier, has priced its

offering of 7m new shares at \$29.25, a 10 per cent premium on the \$26.50 for the company's recent \$4.2bn leveraged buy-out.

An international tranche of 1m shares is being lead managed by Salomon Brothers.

The funds will be used to finance capital expenditure, including the acquisition of new air routes.

Delta recently opposed the sale of Pan-Am's landing rights at Heathrow Airport to United Airlines, offering \$50m for the London-Los Angeles route alone.

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NEW INTERNATIONAL BOND ISSUES									
Borrower	Amount m.	Coupon %	Price	Maturity	Lead	Book number			
US DOLLARS									
NTN Corp(a)	250	4 1/2	100	1995	2 1/2	Nomura Int.			
Credit Suisse Co.(a)	150	4 1/2	100	1995	2 1/2	JP Morgan Secs.			
National Financial(a)	100	4 1/2	100	1995	2 1/2	JP Morgan Secs.			
STERLING									
Qas'che Postpart(a)	100	10	80 1/2	2001	35/200	UBS Phillips & Drew			
Alla Lessor Ltd(a)	100	11	101 1/4	1997	1 1/2	CSFB			
HAC Mags-Nova 7(a)	100	11	102 1/2	1997	1 1/2	Barings Bro.			
LIRE									
Barclays Bank(a)	160bn	10 1/8	101.85	1991	1 1/2	Barclays			
SWISS FRANS									
Enso Gutzwiller(a)	30	4 1/2	100	1995	2 1/2	Credit Suisse			
Hasagut(a)	30	4 1/2	100	1995	2 1/2	Yamichi (Swiss)			
FINNISH MARKKA									
Onkka(a)	100	12 1/2	100 1/2	1996	2 1/2	Citibank AG			
YEN									
Nissan Motor Co.(a)	100	7 1/2	101 1/2	1991	1 1/2	Nikko Secs.			

---Private placement. (a) Convertible. With equity warrants. Floating rate note. Final terms. (b) Non-callable. (c) Mortgage-backed issue. Amount increased from \$100m to \$150m. Non-callable. (d) Put option 30/9/93 at 107 1/4 % to yield 7.252%. (e) Put option at par after 2 years.

FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1991. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS									
Monday April 9 1991									
Index No.	Day's Change	Est. Earnings Yield (%)	Gross Div. Yield (%)	Est. P/E Ratio (1990)	1991 Index	1990 Index	1989 Index	1988 Index	1987 Index
1. CAPITAL GOODS (177)	883.21	+0.2	11.22	5.47	9.61	881.70	886.64	887.71	882.97
2. Building Materials (11)	1138.54	-0.2	11.64	5.43	10.58	1140.33	1145.03	1150.93	1077.81
3. Contracting, Construction (31)	1393.03	-0.2	10.56	5.65	12.23	1396.13	1403.40	1425.32	1355.78
4. Electronics (10)	2453.14	+0.1	11.00	5.50	11.20	2457.55	2463.13	2472.33	2398.18
5. Engineering (10)	1883.36	-0.1	8.32	4.74	15.98	1882.91	1884.97	1887.87	1745.05
6. Engineering-Aerospace (6)	469.23	+0.2	14.86	5.30	8.12	468.55	464.42	461.78	437.17
7. Engineering-General (47)	466.13	-0.3	12.62	5.62	9.55	467.31	468.03	465.75	452.72
8. Metals and Metal Forming (6)	501.78	-0.9	18.18	6.58	6.79	509.56	509.10	501.94	477.70
9. Motors (13)	382.71	-0.1	12.55	6.77	9.35	382.95	383.11	384.59	345.08
10. Other Industrial Materials (20)	1575.01	-0.1	9.11	5.14	12.95	1574.36	1586.61	1589.92	1527.27
11. CONSUMER GROUP (185)	1467.56	-0.3	8.35	3.63	14.85	1469.97	1480.99	1469.93	1283.09
12. Brewers and Distillers (22)	1767.76	-0.7	9.09	3.67	13.55	1774.79	1794.38	1753.87	1401.23
13. Food Manufacturing (20)	1509.60	-0.5	9.18	4.48	13.72	1507.45	1507.45	1498.61	1484.31
14. Food Retailing (14)	2824.42	-0.1	7.74	2.73	16.88	2824.07	2810.49	2771.24	2234.80
15. Health and Household (21)	1575.01	-0.1	9.11	5.14	12.95	1574.36	1586.61	1589.92	1527.27
16. Hotels and Leisure (21)	1370.69	-0.4	9.28	5.03	11.80	1371.93	1376.41	1390.53	1302.22
17. Media (24)	1509.60	-0.5	9.18	4.48	13.72	1507.45	1507.45	1498.61	1484.31
18. Packaging, Paper & Printing (16)	680.45	+0.4	8.21	4.85	15.24	677.86	679.90	680.02	564.68
19. Stores (34)	930.89	+0.5	8.93	3.92	14.52	931.11	932.43	916.59	728.04
20. Textiles (11)	549.26	-0.3	9.66	5.88	13.06	551.11	556.17	562.33	487.87
21. OTHER GROUPS (108)	1225.27	-0.1	12.45	6.22	12.45	1225.27	1225.27	1225.27	1225.27
22. Chemicals (21)	1271.66	-0.2	9.17	5.63	12.50	1273.53	1284.02	1275.93	1191.11
23. Conglomerates (10)	1264.96	-0.5	10.72	6.57	11.10	1266.46	1265.33	1259.53	1260.28
24. Transport (14)	2218.47	-0.1	11.15	4.65	10.94	2219.34	2225.08	2218.87	2155.27
25. Electricity (14)	1158.60	-0.3	11.96	5.76	10.47	1159.71	1154.99	1152.31	1102.00
26. Telephone Networks (4)	1466.02	-0.4	9.07	3.41	14.35	1466.00	1464.88	1463.32	1103.12
27. Water (10)	2498.09	-0.2	13.57	5.61	8.23	2498.29	2503.36	2467.39	1880.50
28. Miscellaneous (22)	1919.30	-0.1	6.30	4.86	20.20	1919.30	1919.30	1919.30	1919.30
29. INDUSTRIAL GROUP (488)	1225.27	-0.1	10.56	5.59	12.02	1225.27	1225.27	1225.27	1225.27
30. Oil & Gas (20)	1225.27	-0.1	10.56	5.59	12.02	1225.27	1225.27	1225.27	1225.27
31. OIL & GAS INDEX (20)	1225.27	-0.1	10.56	5.59	12.02	1225.27	1225.27	1225.27	1225.27
32. FINANCIAL GROUP (97)	941.37	-0.3	5.61	2.07	38.51	938.51	938.47	940.90	799.41
33. Banks (9)	940.61	-0.1	7.79	3.84	28.49	941.93	946.49	946.68	867.50
34. Insurance (Life) (7)	1551.77	-0.3	5.33	2.07	38.51	1551.77	1551.77	1551.77	1551.77
35. Insurance (General) (6)	705.33	-0.2	6.22	2.07	38.51	705.33	705.33	705.33	705.33
36. Insurance (Brokerage) (3)	1175.43	-0.1	6.23	2.07	38.51	1175.43	1175.43	1175.43	1175.43
37. Insurance (Other) (7)	427.91	-0.1	4.74	2.07	38.51	427.91	427.91	427.91	427.91
38. Merchant Bank (7)	1025.29	-0.2	6.57	4.56	20.59	1025.29	1025.29	1025.29	1025.29
39. Property (40)	279.13	-0.1	9.32	6.36	12.95	279.13	279.13	279.13	279.13
40. Other Financial (20)	1221.98	-0.1	5.39	2.07	38.51	1221.98	1221.98	1221.98	1221.98
41. Investment Trusts (69)	1221.98	-0.1	5.39	2.07	38.51	1221.98	1221.98	1221.98	1221.98
42. ALL-SHARE INDEX (644)	1221.98	-0.1	5.39	2.07	38.51	1221.98	1221.98	1221.98	1221.98

FIXED INTEREST						AVERAGE GROSS REDEMPTION YIELDS				Yue Apr 9	Wed Apr 8	Year ago (approx.)
PRICE INDEXES	Yue Apr 9	Day's change %	Wed Apr 8	Accrued Interest	vol adj. 1991 to date							
British Government										9.22	9.22	11.76
1	Up to 5 years (28)	+0.09	121.00	1.77	3.26	1	Low	5 years		9.24	9.22	11.76
2	5-15 years (30)	-0.07	132.38	2.03	3.87	2	Low	20 years		9.64	9.63	11.23
3	Over 15 years (18)	-0.24	139.88	2.47	4.08	3	Medium	5 years		10.12	10.13	12.90
4	Irredeemables (6)	+0.03	186.97	3.73	1.50	4	Medium	15 years		9.97	9.94	11.80
5	All stocks (72)	-0.03	131.04	1.94	3.70	5	High	20 years		9.92	9.92	11.36
Index-Linked										10.14	10.11	12.09
6	Up to 5 years (1)	+0.01	159.53	-0.33	2.72	6	High	10 years		10.09	10.08	11.62
7	Over 5 years (10)	+0.05	146.85	0.76	1.16	7	Irredeemables	20 years		9.93	9.93	11.19
8	All stocks (11)	+0.05	147.77	0.72	1.21	Index-Linked						
						Up to 5 yrs.				3.72	3.71	4.49
						Over 5 yrs.				4.10	4.11	4.11
						Up to 5 yrs.				2.81	2.80	2.85
						Inflation rate 10%.				3.93	3.93	3.94
						5 years				11.86	11.85	16.09
						15 years				11.64	11.64	14.24
						25 years				11.43	11.44	13.56

UK COMPANY NEWS

Gulf war and recession cuts Savoy to £10.3m

By David Churchill, Leisure Industries Correspondent

SAVOY HOTEL yesterday reported a sharp fall in 1990 pre-tax profits due to the recession in the UK and the US and the Gulf conflict.

Pre-tax profits fell from £13.08m to £10.3m on turnover ahead from £99.04m to £91.96m. A 7 per cent average increase in room prices was offset by higher costs, including the new minimum wage, and lower occupancy levels.

The group's hotels - the Berkeley, Connaught, Claridge's and Savoy in London and the Lancaster in Paris - are all traditional bastions of international business and leisure travellers and normally popular with Americans.

However, hotel bookings fell away sharply in the second half of the year as a result of the international political and business situation worsened.

Turnover, which had risen by 12.7 per cent in the first half

of the year in comparison with the previous year, fell by 11 per cent in the second half.

Mr Giles Shepherd, managing director, said yesterday that while 1990 had been a difficult year, the first three months of the current year had been even worse.

"But there are now signs of business picking up at the end of the Gulf War," he said. "Not only are we seeing business travellers coming back but there are also more leisure travellers staying in our hotels."

The group has undertaken an aggressive marketing campaign to encourage Americans to return to the UK.

Its welcome to Britain promotion, which gives guests a £100 voucher from the airport and a £125 voucher for Savoy guest services, has added 4,000 bed-nights worth almost £900,000 since it was launched earlier

this year.

The Connaught is for the first time taking part in this promotional campaign during the summer.

The group has also decided to absorb the 2.5 per cent increase in VAT. "We don't think that now is a good time to increase prices," said Mr Shepherd.

The directors are recommending that the dividend should be maintained at 7p per A share and 3.5p per B share.

Trusthouse Forte, which announced results last week, holds just over 42 per cent of the Savoy's voting shares. Under an agreement reached between THF and the Savoy last year, it has agreed not to try to increase its stake in a further 10 per cent.

Savoy A shares closed 5p down in a very limited market at 81.5p.

Laidlaw withdraws share trade allegation

By Richard Gourlay

LAIDLAW, the Canadian waste management group, has amended a lawsuit in a New York court to withdraw allegations that Mr Michael Ashcroft, the chairman of ADT, used inside information to trade in shares of BAA, formerly British Airports Authority.

Mr Ashcroft had vigorously denied the allegation that he traded a personal block of BAA shares produced by stockbroker's sale slips that showed ADT was the only company to sell a large block on November 29 last year.

Mr Donald Jackson, President of Laidlaw, also welcomed the amendment by Mr Ashcroft as a "positive first step" towards settling some of the concerns Laidlaw had expressed in its April 1 court case in New York.

Mr Jackson and Mr Ashcroft are to meet in Toronto today when Laidlaw releases quarterly earnings figures. Mr Ashcroft is on the Laidlaw board.

The Laidlaw court suit alleges that ADT and some of its directors manipulated ADT's share price through "rigged" sales of shares with controlled affiliates which inflated its profits.

Mr Ashcroft's statement related to the listing of ADT shares on the New York Stock Exchange, adopted yesterday, reporting, and establishing an audit committee and recommending the ADT board of directors to include independent directors and Laidlaw nominees," Mr Jackson said.

Laidlaw currently has no claim against ADT's share price of controlling 28.4 per cent of its stock.

Mr Ashcroft yesterday met institutional shareholders in New York.

Battle looms over Zantac ulcer drug

Clive Cookson and Bernard Simon on a challenge to a Glaxo patent

THE pharmaceutical industry was expecting several companies to produce competing versions of Zantac, the world's best-selling drug, when Glaxo's first US patent on the ulcer treatment expires in 1995.

But few observers predicted that the challenge would come as soon as it has.

Last month the US Food and Drug Administration notified Glaxo, the second largest international pharmaceutical group, that Genpharm, an obscure Canadian company, had filed an "abbreviated new drug application" to market a generic version of Zantac.

Monday, Glaxo started legal proceedings against Genpharm for patent infringement.

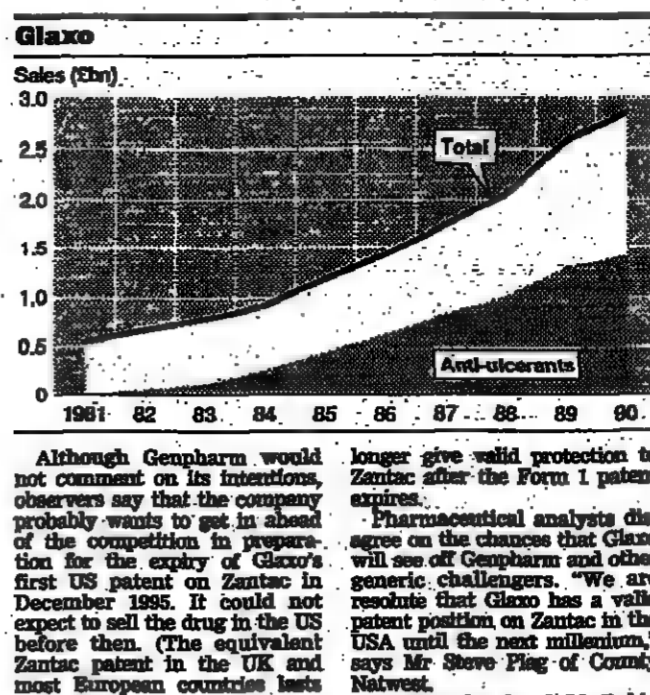
Genpharm is a secretive company, which was set up in Canada in the mid-80s by David and Tony Tabatnick, a South African father and son, who were seeking to expand their pharmaceutical business outside South Africa.

The Tabatniks also own companies in the UK, Australia and New Zealand. Genpharm (UK), the British company, has a record of taking aggressive legal action against large drug manufacturers for the right to manufacture or import generic versions of their branded products. It has challenged SmithKline Beecham over the sales drug Zantac and Glaxo over the asthma drug Ventolin.

Outsiders estimate that Genpharm has annual revenues of about £10m (£4.9m). Its main product is Glyxine, an anti-ulcer drug.

But according to the Canadian department of consumer and corporate affairs, it has applied for licences on another 30 to 40 brand-name drugs.

Glaxo and Genpharm are in a fight over a complex legal battle over the US courts. And now that Genpharm has made the first move, other generic manufacturers may accelerate their own independent plans to challenge the Zantac patent.



tion, which represents the generic industry, sales of generic drugs in Canada now total about £400m a year, or some 10 per cent of the total prescription and non-prescription drug market. Under the compulsory licensing rules, generic manufacturers must pay the patent holder a 4 per cent royalty on sales.

Several generic versions of Zantac are already on the market in Canada, including one manufactured by Glaxo itself and marketed through a subsidiary of the US firm Upjohn.

Apotex, one of the leading generic manufacturers, claims that the version of Zantac which it launched three years ago has a 50 per cent share of the market. As competition has increased, the price of the Zantac-generics has steadily come down. They now sell for about 40 per cent less than Zantac, compared to a 25 per cent discount when Apotex launched its product.

Mr Jack Ray, vice-president for sales at Apotex, says Glaxo "harassed" his company in several ways to try and prevent its version from reaching the market. The British company threatened litigation against the Canadian government, and warned doctors and pharmacists that the quality of the generic drug would not match Zantac.

Following fierce criticism from the brand-name manufacturers, including threats to withdraw investments from Canada, the government tightened the rules on compulsory licensing three years ago.

Brand-name drugs now have market exclusivity for ten years in the case of imported generics, and seven years if an active ingredient for the generic version is made in Canada.

Glaxo is not the only company in the US, Barr Laboratories, are in the process of launching legal action against another UK drug company, Wellcome.

They claim that Wellcome did not discover AZT, its anti-AIDS drug, and thus has no rights to its AZT patent.

Fall in demand hits Alexandra

By Jane Fuller

ALEXANDRA Workwear, which has about 30 per cent of the UK market for work clothes, was caught by a sudden drop in demand this winter, leading to a 12 per cent fall in sales in annual pre-tax profits.

In the half-year stage the group was 11 per cent ahead with £4.1m, but volume fell by between 20 and 25 per cent in the final quarter. The outcome for the year to February 2 compared with £7.5m in the previous 52 weeks.

Mr John Prior, chairman and chief executive, blamed the Gulf crisis, high interest rates, London bombings and severe weather for the collapse in demand.

Turnover was ahead 5.4 per cent on £53.27m and operating profit £2.8m, but interest payments jumped to £2.2m as year-end debt more than doubled to £18m (£7m), representing gearing of 69 per cent.

Mr Prior said stock had to be sold so that rapid delivery

of the standard range could be offered. As the clothing was oriented, its value was not under threat.

To overheads, the group had closed one of its three Scottish factories and was buying in more clothes. The rationalisation would incur first-half exceptional costs of up to £1m.

This followed a "revolution" in the group's distribution system, which was a large labour-intensive warehouse in Bristol had been replaced by six semi-automated units.

Mr Julian Budd, financial director, said that capital spending, which had been £7m in 1989 and 1990, was now £1.5m, but that the short-term debt was unlikely to offset the exceptional cost. A pre-tax profit of £5.4m gives a prospective multiple of 12.2 on yesterday's close of 159p. The premium commanded by previous strong earnings growth has been lost and the share look fully valued.

grace since last summer and it is not difficult to see why. The group's vulnerability to UK recession should have been foreseen, especially as the last downturn took its toll on profits in 1981 and 1982. Instead, the management blithely stocked up for further growth, which added almost £1m to debt as the bulge in capital spending. At least the warehouse investment is easy to justify, unlike the extraordinary £300,000 loss made on a property development attached to the new Scottish sales office.

In the medium term, good should come of both the new distribution system and the more hard-nosed approach to garment supply. However, a difficult 1991 means that the short-term debt is unlikely to offset the exceptional cost. A pre-tax profit of £5.4m gives a prospective multiple of 12.2 on yesterday's close of 159p. The premium commanded by previous strong earnings growth has been lost and the share look fully valued.

Geographic spread helps Laird Group

By David Owen

Laird Group's geographic spread across the UK, France, Germany and the US gave it some comfort last year as its automotive, building and packaging products began to feel the recession.

But the 10 per cent decline to £38.5m in 1990 pre-tax profits still reflected lower or stagnant earnings in all divisions.

Sealing systems made profits of £15m (£15.8m) on turnover of £178.3m (£160.9m); industrial products generated £16.1m (£17.1m) on turnover of £170.7m (£146.8m); and service industries made a same-gain £10.5m on turnover of £143m (£124.5m).

Earnings per share dipped to 24.4p (20.3p). A final dividend of 12.5p is recommended, making a total of 10p (8.7p).

COMMENT

The timing and extent of a resumption of earnings growth looks to depend quite heavily on the German automotive market. Under the favourable scenario, demand stays high and plenty of new-model Kadans and Golfs get shifted, giving Laird a boost since the value of the seals it will supply for these new vehicles is significantly higher than the value of seals supplied for the old models. This could calculate, moreover, with a turn for the better in the French automotive and UK building products markets. If things turn out badly, German demand could fall just as the group is concentrating on solving problems at its new plants and product lines. Either way, the group looks one of the sounder bets for the patient investor in what is a relatively depressed sector. Given profit expectations for 1991 of £23m, the prospective p/e is just under 11.5. This falls to below 10, however, on the assumption that 1992 profits revert to last year's levels.

Stanhope £33.8m in the red after write-down

By Vanessa Houlder, Property Correspondent

STANHOPE PROPERTIES, the property company headed by Mr Stuart Lipson, announced a £33.8m pre-tax loss for the six months to December 31 1990, compared with a profit of £20.6m in the previous period.

The result reflected a £25.1m write-down as well as an income shortfall on investment properties and heads.

Stanhope's share price fell from 90.5p to 89p.

The write-down was due to reducing carrying values of projects held for redevelopment, such as its sites at Brunswick Wharf, which was reduced by 11 per cent, and Wall, reduced by 60 per cent. Stanhope, reduced by 15 per cent and the South Bank, which was written off completely.

The property company is experiencing the most difficult operating environment since the early 1970s with rents and valuations under severe pressure, the company said.

Stanhope said that its policy

of retaining ownership of all its investment assets had the short-term price of funding income shortfalls, increased by high interest rates. It said the income shortfall would worsen in the second six months and then tail off.

The company was "prepared to make disposals on a short-term basis on acceptable terms" of Broadgate, its flagship development in the City, notwithstanding its policy of retaining ownership of the project. It said that since the Gulf war there had been interest from potential investors in several buildings, including number six Broadgate.

Turnover increased from £10.67m to £15.5m with profits of £3.8m (£407,000), share of the loss of associated undertakings, 85 per cent of which is Rosebush Stanhope Developments, was £1.5m (£154,000).

Losses per share were 30.5p (7.8p earnings). See Lex

Acquisitions help Bostrom rise

By Jane Fuller

IN SPITE of tough conditions in the vehicle seating and pre-engineering markets, acquisitions helped Bostrom to reach record pre-tax profits of just over £3m in 1990.

The taxable figure grew by £11,000, from £2.5m, on a 28 per cent advance in turnover to £25.23m (£28.59m). Operating profit was up 17 per cent at £3.97m (£3.36m), but interest payments jumped to £2.2m as year-end debt more than doubled to £18m (£7m), representing gearing of 69 per cent.

Mr Colin Howell, managing director, said: "All the factors we serve were down, a global downturn in work vehicle seating, we export 10 per cent, coincided with a decline

in engineering activity in the UK, which affected our other two divisions."

KAB seating had experienced flat sales of about £24m and a small decline in operating profit to nearly £2.9m. It had made progress in Japan and Korea and was now targeting North America.

Precision components, built up by acquisition in 1988 and 1989, had turnover of £7.8m (£4.5m) but profit slipped to £800,000 (£600,000). One or two new orders had been badly affected by the decline in the automotive tools market.

In its first year, the pressings division contributed £800,000 profit on turnover

of £3.5m.

The joint venture with RFA of France, supplying seats for luxury cars, had suffered alongside Jaguar, its big customer. Losses totalled £390,000 (£120,000).

Net debt rose from less than £2m to £4.4m, gearing of 46 per cent.

Mr Howell said this year would be worse than 1990, but all divisions were improving market share.

Earnings per share improved to 24.2p (24.1p) on a 2 per cent tax charge, utilising losses. At 35 per cent, earnings would be 16.6p (16.1p). The final dividend is held at 3.5p, for a 5p (5.7p) total.

Erith calls for £2.8m as profits slip 24%

By Maggie Urry

ERITH, the south coast building merchant, suffered a fall of 24 per cent from £3.04m to £2.3m, in pre-tax profits for 1990.

The company also announced a £2.8m placing and offer. Shareholders can claw back new shares on a 1-for-10 basis at 68p. The shares

were unchanged at 73p.

Mr Graham Davies, chairman, said trading was depressed by high interest rates, and profits were hit by the loss of a major contract into redevelopment. He said the pre-tax fall was "a very creditable performance" in the circumstances.

The group wants the new money to fund expansion in anticipation of a fall in interest rates and improvement in the trading climate. It bought a branch in Canterbury, Kent, and a new branch in its branches in London last month. It is also improving two existing branches.

Group sales were 10 per cent lower at £77.65m and operating profits fell some 22 per cent to £2.3m. There was a rise to £805,000 (£590,000) in net interest charges and an exceptional credit of £100,000 (debit £91,000).

Earnings per share fell 17 per cent to 24.2p (24.1p). A maintained final dividend of 11p gives an unchanged total of 3.5p, just covered by earnings.

£6.1m placing as Capital and Regional dives to £352,000

By Vanessa Houlder

CAPITAL and Regional Properties announced a £6.1m placing to buy more property. It also disclosed a fall in pre-tax profits from £3.86m to £352,000 for 1990.

The company has conditionally placed 5.1m shares, representing 28.4 per cent of the enlarged capital, at 120p per share with institutional shareholders. They are being offered in a 5-for-12 basis.

It believed that the current market conditions provided excellent opportunities to invest in good quality property offering historically high returns.

The company said it had benefited from its decision in 1988 to stop buying property and reduce its debt by disposals, which meant that it had no need to sell properties into the subsequent weak market.

Net assets per share fell from 203p to 163p, principally as a result of a 11 per cent reduction in value of its UK portfolio.

Exchange rate fluctuations more than offset the increase in dollar value of its net assets in the US.

Earnings per share slumped from 29.2p to 0.91p. The final dividend is maintained at 0.9p for an unchanged total of 0.9p.

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BANCO HISPANO AMERICANO SA
International Depository Receipts
Representing Banco Hispano Americano SA
Shares of 500 Pesetas Each

Banco Hispano Americano SA has declared a dividend payable against the following coupon:

Coupon No 17 Payable at 37-40 Pesetas Per Share
Coupon No 18 Payable at 23-50 Pesetas Per Share
Coupon No 19 Payable at 45-50 Pesetas Per Share
Coupon No 20 Payable at 45-50 Pesetas Per Share

The depository will pay the equivalent proceeds in sterling less taxes on applicable against presentation of the respective coupons. The coupons will be paid on or after the 10th April and must be lodged at least three business days prior to payment

Morgan Guaranty Trust Co of New York

100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 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UK COMPANY NEWS

Shandwick tops £8m and sees signs of recovery

By Alice Rawsthorn

SHANDWICK, the world's largest public relations group, yesterday announced a 13 per cent increase, from £7.57m to £8.12m, in interim profits in spite of a downturn in the marketing services industry.

The interim dividend is raised by 33 per cent to 1.18p (0.89p) and directors said future policy would be to "substantially increase" dividends as the borrowings and deferred payments incurred by acquisitions in the 1980s were reduced.

Shandwick's shares rose by 7p to 106p on yesterday's announcement. The shares have rallied in recent weeks following a steep fall late last year over the controversy surrounding a proposed share sale by Mr Peter Gummer, chairman.

Group turnover rose to £75.58m (£72.8m) and operating profits to £10.12m (£8.81m) in the six months to January 31. Shandwick paid £2.8m (£2.38m) in tax on a slightly lower charge of 32 per cent. It paid £2m (£1.5m) in interest on net



Peter Gummer - the chairman of Shandwick

debt of £28m at the end of the interim period. Earnings per share were stable at 6.4p.

Mr Anthony Stoddard, deputy chairman, said Shandwick had been affected by the slowdown in the public relations markets in the US and the UK. However,

he said this had been offset by new business gains and by market growth in continental Europe and Asia Pacific.

Shandwick has been cutting costs to counter the slowdown. It has reduced its US workforce by roughly 100 to 900 people through redundancies and natural wastage. It has also made 30 people redundant in the UK.

The group hopes to reduce borrowings to £30m by the year-end. It has already paid £2m in deferred acquisition costs this year and faces further payments of £6.5m for each of the next four years.

Shandwick is extending its year-end from July 31 to October 31. As a result it will pay an additional interim dividend this year as well as its final dividend.

The public relations markets in the US and the UK are still affected by recession. However, Mr Stoddard said there were now "some signs" of recovery.

City Centre Restaurants edges ahead to £10.64m

By Clare Pearson

CITY CENTRE Restaurants said yesterday that travel disruption, the Gulf war and the recession had all kept customers away from its Garibaldi's, Deep Pan Pizza and other outlets so far this year.

The statement followed a deterioration in trading in the second half of 1990 which held the advance in pre-tax profits for the year to just over 3 per cent, from £10.12m to £10.64m.

However, Mr Bruce Johnson, chairman, said the company had recently reversed its policy of reducing the rate of expansion in 1991. This was aimed at sharply reducing the UK economy would slowly improve and because newer outlets had been performing satisfactorily, even in a recessionary environment.

Expansion would focus on the Deep Pan Pizza division. The company also operates restaurants under the names Biggie's, Chiquito Mexican and Filling Station.

There would, however, be significantly fewer openings this year than last, when the number of restaurants rose from 184 to 189. That lifted turnover to £75.72m (£63.03m).

During the second half operating profits rose by only 2 per cent compared with 24 per cent in the first six months. For the whole year, the volume of covers in established units fell by about 6 per cent. Net operating margins were 13.3 (14.1) per cent.

Substantial expenditure on new openings in 1990 cut net interest receivable to £295,000 (£1.37m).

The final dividend is increased to 0.94p making 1.99p (1.96p) total. Earnings amounted to 4.04p (3.72p).

Wardle Storeys declines 15% to £4.3m

By Jane Fuller

PROFIT INCREASES for parachutes and life suits failed to offset a downturn in Wardle Storeys' plastic fabric business. Overall, pre-tax profit fell by 15 per cent to £4.3m in the six months to February 28.

The £6.1m (£5.03m), came on a 2 per cent reduction in turnover to £39.78m (£40.59m). Operating profit fell by 24 per cent to £2.45m (£3.28m), while interest income improved to £1.94m (£1.8m).

Mr Brian Taylor, chief executive, said the group had continued to add to its cash pile of more than £20m.

In the technical products (plastics) division, operating profit fell sharply to £1.22m (£2.49m) on sales of £28.38m (£30.41m). Mr Taylor said this followed a 15 per cent drop in volume in the UK, which

accounted for three quarters of turnover. Worst affected were orders from the car industry. All effects had included short runs and less efficient use of power and labour. Raw material prices had also increased because of the Gulf crisis.

These negatives had been partly offset by £700,000 in overhead savings, including 180 jobs shed over 18 months.

In the smaller safety and survival equipment division, operating profit doubled to £1.43m on turnover of £11.5m (£10.18m). More than 60 per cent of sales were exported.

Mr Taylor said GQ Parachutes had concentrated on higher value products and was benefiting from greater military emphasis on mobility. At RFD Inflatables, profit had trebled as problems had been

ironed out and production concentrated on one site. At its present size, however, the survival division could not make up for the ground lost by technical products.

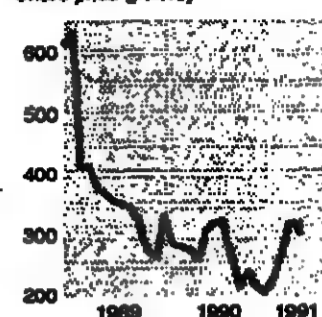
Mr Taylor said that recession—division faced even more of a struggle in the second half—a comparatively good period last year.

The group was looking at five possible acquisitions. Priorities were to expand life-raft and plastics businesses overseas. After two failed hostile bids in 1987 and 1988 (for Chamberlain Phipps and Armstrong Equipment), Mr Taylor said he was looking for agreed deals.

The interim dividend is 11.3p (13.2p) on earnings of 11.3p (13.2p) share.

Wardle Storeys

Share price (pence)



The share price closed at 304p yesterday, down 14p. It has recovered from a low of 205p in December, but has not regained its 1989 high of 339p.

Expamet seeking £21m cash to cut borrowings

By Clare Pearson

EXPAMET International, the building, security and industrial products group, is raising £21m in a 1-for-3 rights issue aimed at sharply reducing its high level of borrowings.

This follows the company's promise, when it announced 1990 results a month ago, that it would be making debt reduction its big priority for the current year.

Unusually on the announcement of a rights call, the shares gained 2p to 170p. The issue is of 15.94m shares at 135p each.

Before the rights, borrowings were £35.5m compared with shareholders' funds of £5.4m. The company said it was not reduced by goodwill write-offs notably for Radionics, the US acquisition made in 1989. Cash balances stood at £2.8m.

Yesterday Mr Alex Orr, managing director, said although the bulk of the issue proceeds

would go to reduce borrowings, Expamet also expected to make some modest acquisitions during the year.

The company said it wanted to make a small purchase in continental Europe to build up its hydraulic bladder accumulator business, where it is a world leader. It also wished to create a European network based on its Dutch ducting business.

Expamet said current year trading had been affected by severe winter weather, hostilities in the Middle East and depressed economic conditions. However, it was continuing to increase market share in its three areas.

Mr Orr said that, if the acquisitions went according to plan, he expected the company to have about £7.5m debt by the end of the year and shareholders' funds of about £23m.

Shareholders to decide fate of Europa directors

By Kenneth Gooding, Mining Correspondent

THE BOARD of Europa Minerals, the mining finance company under siege by rebel shareholders, said yesterday that resolutions to re-elect three directors would be put to the annual meeting today in spite of objections by the dissenting group.

The rebels, led by Mr Alastair Holberton, who was dismissed last July after seven months as Europa's managing director, said on Monday that counsel's opinion was that the board's resolutions to re-elect Mr Arthur (11.3p) and Mr Kenneth Lane and Mr Robert Rice, were invalid.

Europa's board replied yesterday that they had leading counsel's opinion that the rebels' claim was "without merit."

Mr Holberton said that most small shareholders supported the rebel group's attempt to have himself and Mr Robert Hubbard elected to the board. However, the issue would ultimately be decided by institutional shareholders.

The board last week ruled out a resolution to appoint Mr Nicholas Elliott as chairman because proper notice ahead of the AGM had not been given.

Europa's share price last night was down 3p to 17p. A chart in yesterday's report on the Europa battle inadvertently showed the price at zero.

P & O listing in HK

P & O is to seek a Hong Kong listing. Lord Stirling, chairman, said he saw Hong Kong becoming the Pacific rim headquarters for P & O's interests, mainly the construction, shipping and transportation businesses.

Blockleys downturn to £3.3m

BLOCKLEYS, the maker of bricks and clay pavlores, saw pre-tax profits fall from £5.37m to £3.28m in 1990, as the industry suffered from high stocks, reduced output and substantial price discounting.

However, the performance was considered satisfactory under the circumstances, said Mr Brian Taylor, chairman and managing director.

Blockleys kept selling at full list price in order to retain satisfactory margins, and its operating margin came out at 31 per cent (26 per cent) on turnover of £14.5m (£17.5m).

Mr Taylor said unless there was a significant fall in interest rates there would be "little opportunity" for improvement in trading this year.

Demand for paving products held up well, and sales volume grew. But competition in that market was expected to increase this year.

Earnings fell to 9.16p (4.03p). The final dividend is again 2.86p for an unchanged total of 4.81p.

Britannia Group £1.2m write-off

Britannia Group, involved in property dealing and construction, has written off £1.2m for diminution in land values in 1990.

That exacerbated difficult trading and resulted in a pre-tax profit of £681,000, compared with £3,04m in 1989. Earnings per share slumped to 3.5p (16.9p) and the final dividend is 1.1p for a total of 3p, down from 5.7p.

Interest was being shown in certain of the group's development properties, which it hoped to sell in the foreseeable future.

Wescol again suffers customer failure

Wescol Group, the USM-quoted structural engineer, has again been hit by the failure of customers. Added to its problems of difficult trading and higher interest payments, that has led to a loss of £180,000 in the half year to January 31 1991.

Last year the failure of Rush & Tompkins was the main reason for £1.19m exceptional provisions. After a first half profit of £910,000 the group finished with only £80,000 for the whole year.

Mr John Hicks, chairman, said the appointment of receiv-

ers to the Elliott group had resulted in exceptional losses of £278,000 on the final stages of contracts at Stansted Airport being handled by three subsidiaries.

Following the Rush & Tompkins collapse, the group negotiated insurance cover to provide substantial protection on most contracts, but that was not in place in time to cover the Elliott contracts, Mr Hicks explained.

Turnover improved to £13.5m (£12.96m); but operating profit fell to £522,000 (£1m) before exceptional and interest charges took £100,000 more.

Losses per share came to 1.1p (earnings 6.4p). There is no interim dividend, whereas last year it was 1.5p but there was no final.

New England Props halved

Profits of New England Properties, the USM-quoted property trader and developer, fell from £3.11m to £1.55m pre-tax for 1990.

The 50 per cent downturn was struck from turnover £1.91m lower at £2.38m. Earnings declined to 1.3p (2.9p) and the dividend for the 12 months is omitted—shareholders received 1p previously.

Below the line, an extraordinary provision of £1.2m reflected the problems, announced at the interim stage, of the County Hall Development Company, together with severance.

At the year-end net asset value per share stood at 22.5p (29.5p).

Bourne End runs into loss of £2.2m

Bourne End Properties incurred a £2.2m loss in 1990, compared with a profit of £280,000 in 1989.

Property generated profits of only £28,000, against £2,05m, although rental income advanced to £3.61m (£3,06,000). Interest charges, however, jumped to £4.56m (£1.45m).

Mr Julian Benson, chairman, said the main reason for the operating loss was the shortfall of rental income from unit units at the completed Meadowbank, Bourne End development.

When the company acquired the Magnet units it bought an interest rate cap in respect of £15m of the borrowings at 13 per cent for three years. It has been decided to write down the value of the investment to zero, resulting in an exceptional loss of £285,000.

The current rental was £4.3m rising to £5.5m over the next two years, Mr Benson said.

Losses per share came to 26.3p (earnings 6.9p). The final dividend is halved to 1p for a total of 2p.

Fairhaven advances 38% to \$10m

Fairhaven International, the USM-quoted specialist within the oil, gas and petrochemical construction industries, lifted pre-tax profits by 38 per cent to \$10.13m (\$5.7m) in 1990 compared with \$7.32m previously.

Turnover improved by 72 per cent from \$175.12m to \$301.12m and the current order book ensured a high level of activity in 1991 could be maintained.

Mr James Davidson, chairman, said the company was considering what involvement, if any, it should have with the reconstruction of Kuwait and other projects arising from the Gulf war.

A doubled dividend of 0.2 cents for the year is recommended, payable from earnings per share of 3.55 cents (2.45 cents).

As already announced the company intends to apply for a full listing this year.

Thompson Clive progresses

Gross revenue of Thompson Clive Investments rose from £1.13m to £1.54m in 1990 and after a £155,000 rise in tax to £261,000, available profits showed an improvement of 49 per cent at £519,000.

Net asset value per share at the year-end totalled 163.8p (177.1p). Unclaimed, the figure amounted to 168.8p (183.6p). Earnings worked through at 4.1p (2.7p) and the single dividend is lifted from 2p to 3.6p.

The company said that over the next five years it intended to progressively liquidate the assets of Thompson Clive Asset Management, its non-investment trust status subsidiary, and distribute the profits as dividends to shareholders.

Increased interest charges hit Tudor

Tudor profits at Tudor, the USM-quoted ceramic tile, flooring and glassware group, declined from £384,000 to £325,000 over 1990.

The setback, however, was entirely attributable to increased interest charges of £149,000 (£84,000); the outcome at the trading level moved ahead by some 6 per cent to £474,000 (£448,000).

After tax of £119,000 (£82,000) earnings worked through at 3.6p (£4.9p) per share. A maintained final dividend of 1.7p keeps the total at 2.7p.

Building on strength.

Extracts from the Chairman's Statement:

- Discipline and control of cash reduced borrowings and resulted in lower net interest charges of just £3.9 million.
- Contracting in UK had a good year, particularly regional companies and major civil engineering.
- Scaffolding Services performed very satisfactorily.
- Anticipate a favourable decision for London City Airport—possibly within three months.

	1990	1989
Turnover	£1522m	£1305m
before tax	£34m	£55m*
Earnings per share	24p	46.5p*
Dividend	21p	21p

*Before exceptional charge in respect of London City Airport.

For a copy of our Annual Report containing the Chairman's Statement in full, please write to The Secretary, John Mowlem Company PLC, White Lion Court, Swan Street, Isleworth, Middlesex, TW7 6RN.

Mowlem

mlm

Alexandra WORKWEAR plc

Summary of Results

For the 52 weeks to 2nd February 1991
(Comparatives are for 53 weeks to 3rd February 1990)

	1991	1990	increase
SALES	63,097	59,286	6.5
PROFIT BEFORE TAX	6,585	7,520	(12.5)
EARNINGS PER SHARE	13.4p	15.4p	(13.0)
DIVIDEND (NET)	5.0p	4.7p	6.4

Commenting, Chairman, John Prior said: "Our commitment to this industry, coupled with our continued investment in mechanisation and increasing efficiencies, will enable the Group to return to former levels of profitability, when the general business climate improves."

Alexandra is Europe's leading supplier and manufacturer of quality canvas wear and workwear.

ALEXANDRA WORKWEAR plc
Alexandra House, Patchway,
Bristol BS12 5TF
Telephone: (0272) 690806

Catalogues and copies of the Annual Report are available from the address above.

MAERS Funding No. 1 PLC

2800,000,000
Mortgage Backed
Floating Rate Notes due 2018

Notice is hereby given that the Rate of Interest has been fixed at 12.45% for the interest period 8th April, 1991 to 8th July, 1991.

The interest amount payable on July, 1991 will be £3,103,97 in respect of £100,000 denomination.

Agent Bank
8th April, 1991

COMMODITIES AND AGRICULTURE

Advance in precious metals prices

GOLD BULLION gained another \$2.55 a troy ounce in London yesterday to close at \$364, writes Kenneth Gooding. This followed a \$3.55 rise on Monday which took the precious metal above \$360 an ounce for the first time in two weeks. Activity was flat and thin in both Tokyo and Europe before the New York Commodity Exchange opened to spark some life into the market, said Mr. Andy Smith, analyst with the Union Bank of Switzerland, forecast that gold would average only \$345 an ounce during the second quarter this year.

Silver closed in London yesterday at \$4.04 an ounce, up 5.5 cents, while platinum by \$3 to \$404.50 an ounce.

Tonnage of gold used in jewellery set to remain at record levels

By Kenneth Gooding, Mining Correspondent

GOLD USED in jewellery manufacture reached a record 1,800 tonnes last year and there are indications that, in spite of the recession in some important markets, the tonnage consumed in 1991 will stay at this level, according to the World Gold Council.

For the second successive year, gold used in jewellery accounted for more than all the western nations' newly-mined gold - estimated at 1,720 tonnes in 1990, said the council, a Geneva-based promotional organisation backed by gold producers worldwide.

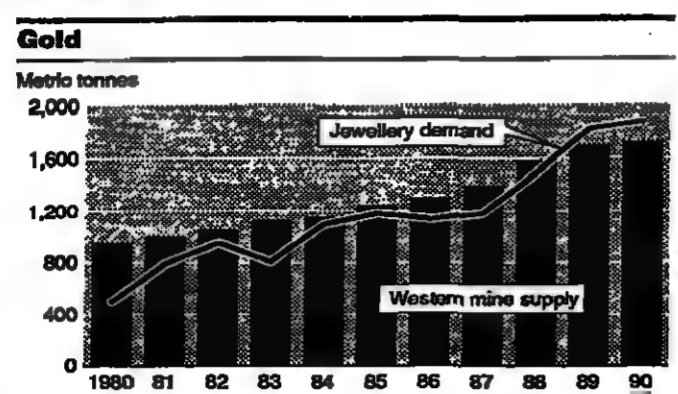
Last year Europe's consumption of gold for jewellery increased by 10 per cent; US consumption remained flat, and Japan's use of gold in jewellery fell by 1 per cent.

The council says the Japanese figures were distorted because in 1989 a new tax caused the trade to build up supplies and new retailers were stocking up with gold jewellery for the first time.

"The 1989 downturn is expected to be only temporary in a market which has doubled in size over the last five years," the council suggests in a report to members.

It says early results from Europe suggest that the tonnage of gold consumed in jewellery could be up by 1 per cent in 1991.

In the US, reports from a sample of 7,000 jewellery outlets



indicated that, following an average January sales fall of 0.3 per cent against the same month last year, February was 3.5 per cent ahead. March saw a further substantial recovery, particularly at the higher-cost end of the market.

Japan is projecting a volume of 120 to 130 tonnes - about the same - marginally ahead of 1990.

Source: Gold Fields Mineral Services

Delay for coffee agreement seen

By David Blackwell

THE WORLD coffee market will have to wait until the full council meeting of the International Coffee Organisation before any seeing signs of progress towards a renewed international agreement, according to the latest market report by E. D. & F. Man, the London brokers.

Man does not believe Brazil will have sorted out a coherent policy in time for the ICO's executive board meeting on May 2.

The Brazilian government

may return to an export quota system in order to boost prices, but it has not chosen an easy method or time to carry out its plans, says Man, referring to the suspension of export registrations last month. Export registrations were restored this week after pressure from the Brazilian trade.

Man says the ICO's negotiation process and formal government usually takes at least two years, and the current

agreement expires in September next year. The re-introduction of quotas in any shorter time "would be very difficult if only due to the quantity of consumer registrations currently overhanging the market".

Brazil will have to realise that many producer members of the ICO will be demanding a greater share of quotas in a new agreement held on recent export performance. This was the very issue which led to the collapse of the export quota system in July 1989.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.5 per cent, \$ per lb, in warehouse, 1,700-1,750 (same).

BISMUTH: European free market, 99.5 per cent, \$ per lb, in warehouse, 2,650-2,700 (same).

CADMIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 1,800-1,850 (same).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 1,800-1,850 (same).

IN WAREHOUSE, 13.90-14.25 (13.70-14.10).

MERCURY: European free market, 99.5 per cent, \$ per lb, in warehouse, 1,700-1,750 (same).

MOLYBDENUM: European free market, drummed molybdenum, \$ per lb, in warehouse, 2,500-2,550 (same).

SELENIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 1,800-1,850 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg) WO₃, 95-97 (46.50-55).

VANADIUM: European free market, min. 98 per cent, \$ a lb V₂O₅, 2.55-2.65 (same).

U.S.A. 100 exchange value, \$ per lb, U₃O₈, 9.30 (same).

LIVE WAREHOUSE STOCKS (As at Monday's close)

Aluminium +2,280 to 238,325
Copper -70 to 1,115
Lead -372 to 68,650
Nickel -110 to 1,115
Tin -110 to 1,115

Salvaging wealth from a war-torn state

Julian Ozanne finds optimism in Angola's state-owned diamond mining company

ON THE wooden bookcases in the office of the managing director of Endiama, Angola's state-owned diamond mining company, a glass book-end with an engraving of Lenin is sandwiched between thick mining reports, Donald Trump's autobiography and "The Money Game".

Trump has surpassed Lenin as the economic mentor of Endiama - the company responsible for a dramatic turn-around in the fortunes of Angola's diamond industry in the last four years.

Under largely autonomous and aggressive corporate management since 1987, Endiama has boosted production from 287,000 carats in 1986 to an estimated 1.4m carats in 1990, according to Mr. Noel Baltazar, managing director.

A successful rehabilitation strategy, re-establishment of contracts with foreign operators and independent marketing of production outside De Beers Central Selling Organisation, which controls 80 per cent of the rough diamond market, has allowed the company to

foreign exchange earnings, estimated at about \$240m-\$250m (\$136m-\$141m) last year. Angola is once again the seventh largest diamond producer in the world in both volume and value terms.

Mr. Baltazar is confident that diamond production will continue to increase slowly towards the 1994 peak levels of 2.5m-2.6m carats. A ceasefire in the 15-year-old civil war and the reopening of areas which are at the moment insecure and inaccessible will be essential to achieving that goal but

the long-term prospects of the industry hinge mainly on a resumption of prospecting and investment in kimberlite mining.

The vast potential of untapped kimberlites and the massive investment needed to develop kimberlite mining in Angola prompted Endiama to go back to selling about 80 per cent of its production through the CSO from the beginning of this year.

In return, De Beers has pledged \$125m for three projects: a \$50m loan to Endiama to develop new sites of alluvial mining in the Cuango River area; a \$50m investment in geological and economic surveying of kimberlites; and \$25m for the construction of a diamond evaluation

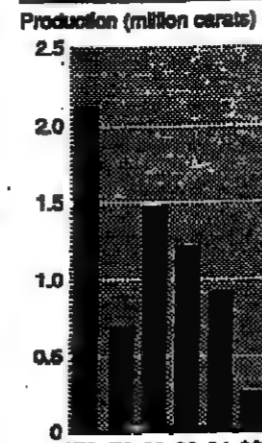
laboratory. This current health of the diamond industry is far cry from the days of 1986 when production dropped to 287,000 carats, the exclusive marketing contract with the CSO and the government accused De Beers of devaluing its diamonds, and the state mining company Diamang was seriously indebted with its foreign exchange costs vastly exceeding its earnings.

Several factors had brought the diamond industry to its knees since the peak production level of 1974: the exodus of thousands of skilled Portuguese workers after Angola gained independence from Portugal in 1975; followed by nationalisation of most foreign and private holdings in Diamang.

Production fluctuated wildly but from 1983 until, Angola's

Angola Diamonds

Production (million carats)



Source: Endiama

rebel movement, identified the diamond mining industry as a principal target and sabotaged roads, bridges and infrastructure and kidnapping experienced diamond workers.

In 1984, Cuango, one of the three mining divisions and main source of production and the highest quality stones, was closed under rebel pressure. Inefficient management and the high cost of air transport spread theft and diamond trafficking through Zaire, and disagreements with De Beers over the CSO and proposals for

the diamond industry to be run by a joint venture with De Beers, compounded the crisis.

In 1986, the government dissolved Diamang and gave the green light to Endiama to reorganise the industry.

"We were given the freedom to put in a new lay-out of pro-

duction based on diversified operators and to apply management aimed at reducing costs and increasing productivity," said Mr. Baltazar.

In 1986 Endiama signed a mining contract with Roan Selection Trust, a subsidiary of ITM International, to reopen operations at Cuango. A second mining contract was negotiated with Sociedade Portuguesa de Empreendimentos - a

bang-over from the old Portuguese holdings in Diamang - to mine diamonds at Lucapa. Both are management contracts based on fixed costs with a significant production bonus paid to foreign investors.

When the exclusive selling contract with the CSO expired in December 1985, the government decided to market its production independently. The biggest diamond dealers in Antwerp were invited to

Laurea in 1986 to bid for the stones and four were chosen to sell Angola's diamonds on commission. Endiama also entered a joint venture with Lazar Kaplan International to polish and sell about \$3m worth of rough diamonds extracted from the Cuango operation.

The Endiama worked well for Angola, partly because it was selling into a rising market and its independent diamond merchants asked for much lower mark-ups than the 11 per cent demanded by the CSO.

"It was very good for us because it gave us the feeling of the value of our goods and how marketing works properly. But it was only good for a

rising market and Angola has the potential to be a major producer which could damage the market if it is not handled properly," said Mr. Baltazar.

The current agreement with De Beers only covers the production of 10 per cent of Angola's total production. Endiama appears determined to market the remaining diamonds itself and is establishing its own selling company to open in Antwerp shortly. Endiama is also opening an office in London with Angolan sorters and a master sample of Angolan diamonds.

The company is also negotiating to purchase a share in Diapal, a state-owned Portuguese cutting and polishing company.

The end of the war is crucial for the sector's further development. A ceasefire will save the estimated \$25m spent annually by Endiama on air transport; reopen previously inaccessible mining areas; allow much better pricing to prevent the \$50m of diamonds smuggled to Zaire every year; bring \$250m of production by Uniao

back into the country; and, most importantly, allow a serious evaluation of the kimberlite prospects.

The kimberlite potential has not been explored fully but several pipes with high prospects have already been identified. Baltazar is confident that development of kimberlite mining, at a probable cost of \$1bn and an estimated production of 3m-4m carats a year, will go ahead with De Beers within the next two to five years.

India seeks new rubber regions to cut imports

By Kunal Bose in Calcutta

THE INDIAN Rubber Board has sought world banks to reduce the import of rubber with a five-year project to promote rubber cultivation over 40,000 hectares in the north-east of the country.

The Indian government has been promoting cultivation of rubber in new areas by offering cash assistance, high yielding materials and research and development support for some years.

Nearly 50,000 hectares in non-traditional areas - such as Tripura, Assam, Andaman, Goa, Orissa, Karnataka and Maharashtra - have been converted to rubber. The state of Tripura has emerged as the fastest growing rubber producing centre in the country.

To make India self-reliant in rubber, the government has raised the benchmark price of rubber by about 20 per cent to Rs21,500 (3820) a tonne. The all-

India Rubber Industries Association (IRIA) last year saying there was no reason for Indian rubber to be much more expensive than rubber grown in other parts of Asia when India had a comparative advantage in labour.

Indian productivity of 1.1m lbs per hectare is also more or less at par with other producers and about 5 per cent of rubber goods produced in the country is exported.

Industry sources believe that India has recorded a 12 per cent increase in rubber production in 1990, from 2,400 to 2,680 tonnes.

The official projection is that during 1994-1995, the rubber production will be 4,100 tonnes, 3,000 tonnes short of the expected domestic demand. By the turn of the century, the demand for rubber will rise to 7,00,000 tonnes, against an expected production of 600,000 tonnes.

Venezuelan exports of iron ore fall

By Joe Mann

VENEZUELA last year produced 30.1m tonnes of iron ore and exported 13.7m, according to government figures.

Production in 1990 increased by 9 per cent on the previous year, while exports fell 5 per cent. The Venezuelan government estimated its proven reserves of iron ore at 21m tonnes for 1990.

Venezuela is pushing to make enriched, pre-reduced iron ore briquettes for export.

Sivensa, a Venezuelan steel-maker, opened a plant with capacity for making 600,000 tonnes of briquettes a year while Rio, a joint venture between the government and Sivensa, can produce up to 400,000 tonnes a year.

The government has signed letters of intent with Canadian, Italian and US companies for the construction of joint-venture plants to produce iron ore briquettes for export.

Drought to reduce Brazil soyabean crop

By Victoria Griffith in Sao Paulo

A SEVERE drought will reduce the soyabean crop in Rio Grande do Sul, Brazil's southernmost state which produces almost a third of the country's crop, by an estimated 51 per cent from last year.

The Brazilian Geographical and Statistical Institute (IBGE) predicts a crop of 3.0m tonnes for the state, down from a December forecast of 5.6m tonnes.

The failure of soyabeans and other crops amounts to a \$119m (\$400m) loss for the state's farmers, according to Mr. Felix Assis da Costa Rodrigues, agricultural analyst for the state, who based his calculation on current commodity prices.

Corn has also suffered from the drought, according to the IBGE, and the crop will be 28.6 per cent lower than last year. Heavy losses are also expected for black beans. Only the rice crop seems safe, due to widespread irrigation.

Last week, Brazil's Ministry of Economics announced a \$500m lending programme for agriculture, aimed at small producers of basic foods such as corn and rice.

According to the government, farmers will need less help this year as the drought will push up domestic prices. However, Mr. Assis da Costa insists the drought has left farmers worse off than ever.

"If the corn growers will be able to recuperate some of their losses with a price hike," he said, "but soyabean prices, which depend on international production, are unlikely to rise enough to provide much of a cushion."

"The money the government is offering farmers is hopelessly inadequate."

MARKET REPORT

Prices of various commodities are shown in the table below. Prices are in US dollars unless otherwise stated. Prices are for the week ending April 5, 1991.

Run measures may help to curb rising steel stocks, a factor that would come into play when recovered some of Monday's losses in both London and New York. London closed near the day's high, boosted by industry price fixing purchases and profit taking on short positions.

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO₃, 95-97 (46.50-55).

VANADIUM: European free market, min. 98 per cent, \$ a lb V₂O₅, 2.55-2.65 (same).

U.S.A. 100 exchange value, \$ per lb, U₃O₈, 9.30 (same).

LIVE WAREHOUSE STOCKS (As at Monday's close)

Aluminium +2,280 to 238,325
Copper -70 to 1,115
Lead -372 to 68,650
Nickel -110 to 1,115
Tin -110 to 1,115

SOYABEAN - London POX (\$ per tonne)

May 200.00 205.00 204.00 202.00
Jul 200.00 205.00 204.00 202.00
Aug 200.00 205.00 204.00 202.00
Sep 200.00 205.00 204.00 202.00
Oct 200.00 205.00 204.00 202.00
Nov 200.00 205.00 204.00 202.00
Dec 200.00 205.00 204.00 202.00

White Cocoa - London POX (\$ per tonne)

May 200.00 205.00 204.00 202.00
Jul 200.00 205.00 204.00 202.00
Aug 200.00 205.00 204.00 202.00
Sep 200.00 205.00 204.00 202.00
Oct 200.00 205.00 204.00 202.00
Nov 200.00 205.00 204.00 202.00
Dec 200.00 205.00 204.00 202.00

CRUDE OIL - WTI (\$ per barrel)

May 18.00 18.50 18.40 18.20
Jul 18.00 18.50 18.40 18.20
Aug 18.00 18.50 18.40 18.20
Sep 18.00 18.50 18.40 18.20
Oct 18.00 18.50 18.40 18.20
Nov 18.00 18.50 18.40 18.20
Dec 18.00 18.50 18.40 18.20

CRUDE OIL - Brent (\$ per barrel)

May 18.00 18.50 18.40 18.20
Jul 18.00 18.50 18.40 18.20
Aug 18.00 18.50 18.40 18.20
Sep 18.00 18.50 18.40 18.20
Oct 18.00 18.50 18.40 18.20
Nov 18.00 18.50 18.40 18.20
Dec 18.00 18.50 18.40 18.20

LONDON MARKETS

SPOT MARKERS

Crude oil (per barrel FOB) +0.10
Brent (Brent) 18.40-18.50 +0.10
Brent (Brent) 18.40-18.50 +0.10
WTI (WTI) 18.00-18.10 +0.10

Oil products

Crude oil (per barrel FOB) +0.10
Brent (Brent) 18.40-18.50 +0.10
Brent (Brent) 18.40-18.50 +0.10
WTI (WTI) 18.00-18.10 +0.10

Other

Gold (per troy oz) 384.00
Silver (per troy oz) 404.00
Platinum (per troy oz) 204.00
Palladium (per troy oz) 114.00

Aluminium (per troy oz)

May 18.00 18.50 18.40 18.20
Jul 18.00 18.50 18.40 18.20
Aug 18.00 18.50 18.40 18.20
Sep 18.00 18.50 18.40 18.20
Oct 18.00 18.50 18.40 18.20
Nov 18.00 18.50 18.40 18.20
Dec 18.00 18.50 18.40 18.20

Copper (per troy oz)

May 18.00 18.50 18.40 18.20
Jul 18.00 18.50 18.40 18.20
Aug 18.00 18.50 18.40 18.20
Sep 18.00 18.50 18.40 18.20
Oct 18.00 18.50 18.40 18.20
Nov 18.00 18.50 18.40 18.20
Dec 18.00 18.50 18.40 18.20

Lead (per troy oz)

May 18.00 18.50 18.40 18.20
Jul 18.00 18.50 18.40 18.20
Aug 18.00 18.50 18.40 18.20
Sep 18.00 18.50 18.40 18.20
Oct 18.00 18.50 18.40 18.20
Nov 18.00 18.50 18.40 18.20
Dec 18.00 18.50 18.40 18.20

Zinc (per troy oz)

May 18.00 18.50 18.40 18.20
Jul 18.00 18.50 18.40 18.20
Aug 18.00 18.50 18.40 18.20
Sep 18.00 18.50 18.40 18.20
Oct 18.00 18.50 18.40 18.20
Nov 18.00 18.50 18.40 18.20
Dec 18.00 18.50 18.40 18.20

WTI

WORLD COMMODITIES PRICES

Prices supplied by Amalgamated Metal Trading (Price supplied by A.M.T. Trading)

Aluminium (20% purity) (\$ per tonne)

May 1410-1420 1415-1425 1420-1430 1425-1435
Jul 1410-1420 1415-1425 1420-1430 1425-1435
Aug 1410-1420 1415-1425 1420-1430 1425-1435
Sep 1410-1420 1415-1425 1420-1430 1425-1435
Oct 1410-1420 1415-1425 1420-1430 1425-1435
Nov 1410-1420 1415-1425 1420-1430 1425-1435
Dec 1410-1420 1415-1425 1420-1430 1425-1435

Cash (20% purity) (\$ per tonne)

May 1410-1420 1415-1425 1420-1430 1425-1435
Jul 1410-1420 1415-1425 1420-1430 1425-1435
Aug 1410-1420 1415-1425 1420-1430 1425-1435
Sep 1410-1420 1415-1425 1420-1430 1425-1435
Oct 1410-1420 1415-1425 1420-1430 1425-1435
Nov 1410-1420 1415-1425 1420-1430 1425-1435
Dec 1410-1420 1415-1425 1420-1430 1425-1435

Copper (20% purity) (\$ per tonne)

May 1410-1420 1415-1425 1420-1430 1425-1435
Jul 1410-1420 1415-1425 1420-1430 1425-1435
Aug 1410-1420 1415-1425 1420-1430 1425-1435
Sep 1410-1420 1415-1425 1420-1430 1425-1435
Oct 1410-1420 1415-1425 1420-1430 1425-1435
Nov 1410-1420 1415-1425 142

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222	222	150	60.5	3.8	16
223	223	150	25.5	3.8	16
224	224	150	25.5	3.8	16
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299	299	150	25.5	3.8	16
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LEISURE						
1354	Adventure 10p	284	8.25	3.1	2.1	1.4
1355	Adventure 11p	284	8.25	3.1	2.1	1.4
1404	TV 10p	284	8.25	3.1	2.1	1.4
1405	TV 11p	284	8.25	3.1	2.1	1.4
1406	TV 12p	284	8.25	3.1	2.1	1.4
1407	TV 13p	284	8.25	3.1	2.1	1.4
1408	TV 14p	284	8.25	3.1	2.1	1.4
1409	TV 15p	284	8.25	3.1	2.1	1.4
1410	TV 16p	284	8.25	3.1	2.1	1.4
1411	TV 17p	284	8.25	3.1	2.1	1.4
1412	TV 18p	284	8.25	3.1	2.1	1.4
1413	TV 19p	284	8.25	3.1	2.1	1.4
1414	TV 20p	284	8.25	3.1	2.1	1.4
1415	TV 21p	284	8.25	3.1	2.1	1.4
1416	TV 22p	284	8.25	3.1	2.1	1.4
1417	TV 23p	284	8.25	3.1	2.1	1.4
1418	TV 24p	284	8.25	3.1	2.1	1.4
1419	TV 25p	284	8.25	3.1	2.1	1.4
1420	TV 26p	284	8.25	3.1	2.1	1.4
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1427	TV 33p	284	8.25	3.1	2.1	1.4
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1429	TV 35p	284	8.25	3.1	2.1	1.4
1430	TV 36p	284	8.25	3.1	2.1	1.4
1431	TV 37p	284	8.25	3.1	2.1	1.4
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1433	TV 39p	284	8.25	3.1	2.1	1.4
1434	TV 40p	284	8.25	3.1	2.1	1.4
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1436	TV 42p	284	8.25	3.1	2.1	1.4
1437	TV 43p	284	8.25	3.1	2.1	1.4
1438	TV 44p	284	8.25	3.1	2.1	1.4
1439	TV 45p	284	8.25	3.1	2.1	1.4
1440	TV 46p	284	8.25	3.1	2.1	1.4
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1451	TV 57p	284	8.25	3.1	2.1	1.4
1452	TV 58p	284	8.25	3.1	2.1	1.4
1453	TV 59p	284	8.25	3.1	2.1	1.4
1454	TV 60p	284	8.25	3.1	2.1	1.4
1455	TV 61p	284	8.25	3.1	2.1	1.4
1456	TV 62p	284	8.25	3.1	2.1	1.4

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JOINT MEETINGS

Continued on next page

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هكذا امن الاله

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[illegible]

CANADA

[illegible]

3:15 pm prices April 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

هذه هي امن الاصل

NASDAQ NATIONAL MARKET

3:15 pm prices April 9

[illegible]

3:00 pm prices April 9

[illegible]

FINANCIAL TIMES

AMERICA

Dow idles before release of March inflation data

Wall Street

SHARE PRICES idled in moderate trading yesterday morning as the stock market remained nervous ahead of inflation figures tomorrow and on Friday, and the possible interest rate cut that could follow, writes Patrick Harrison in New York.

By 1.50 pm the Dow Jones Industrial Average was down 12.62 at 2,906.94, with the more broadly based Standard & Poor's 500 down 0.39 at 378.27 by 1 pm. The Nasdaq composite of over-the-counter stocks, however, bounced back from two days of declines to stand up 1.36 at 456.91.

Turnover on the NYSE was 98m shares by 1 pm, higher than Monday's poor showing but still below the best levels seen in the first quarter of the year. Declining shares kept ahead of advancing shares by 829 to 656.

Attention remained fixed on the producer and consumer prices data due later this week. There was confidence that the Federal Reserve would cut interest rates if the inflation was good, but fear of another worrying and unexpected rise in prices was keeping many investors on the sidelines, analysts said.

The number of companies bringing new stock to the market continued to grow. Safeway put up 17.5m shares priced at \$20.45 each, an offer which pushed the company's stock down \$1 to \$20.01 in heavy trading. Delta Air Lines offered 7m new shares at \$69 each; the stock fell \$4 to \$65.

US F&G, the insurance group, advanced \$1.74 to \$111 on turnover of 1.5m shares after Mr Michael Takata, an analyst at County NatWest, wrote that the company's stock was a sell to a buy.

Mr Takata highlighted the aggressive restructuring programme introduced by Mr Norman Blake, the new chairman and chief executive of US F&G, who yesterday met with analysts and money managers in Boston. A similar meeting is planned for New York's investment community today.

Among secondary stocks, Bloerphers set the pace for the second day running, jumping another \$2.40 to \$9.40 in heavy trading. In the past two days the stock has more than doubled on the news that the company has a patent for an economical method for producing

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Mexico climbs as economic hopes grow

Foreign demand and privatisations have also boosted shares, writes Damian Fraser

MEXICO'S turbulent stock market, which has risen in dollar terms by 98 per cent, 68 per cent and 37 per cent over the past three calendar years, is advancing once again. Its total return in sterling in the first three months of this year, based on the FT-Actuaries World Index, was almost 50 per cent.

Encouraged by a wave of foreign investment, the imminent privatisation of the banks and the selling of remaining government shares in Telcel, the telephone monopoly, the stock market index gained 22 per cent in dollar terms in March, to give a rise in the first quarter of 26 per cent. In April the index has gained a further 7 per cent; in late morning yesterday it stood at 87,144.

Unlike the mid-1990s when the market rallied while Mexico's economy lay in tatters, the latest rise reflects optimism about Mexico's economic prospects, both within and outside the country.

Economic growth in 1990 was 3.9 per cent, the fastest since 1981, and way above both government and private sector forecasts. Company results for 1990 have generally been much better than forecasts, too, which accounts for around one-fifth of the market capitalisation of the Mexican bourse, say

its profits double in inflation-adjusted terms last year.

At the end of April or the beginning of May, the government will put its remaining stake of 26 per cent in Telcel up for sale in an international offering. At current prices, this would be worth \$2.9bn.

The underlying reason why Mexico's stock market has proved so attractive to foreign investors is that, while the profits from big businesses have generally grown as fast or faster than the country's inflation rate (at 30 per cent last year), the peso-dollar targeted rate of devaluation has been cut to about 5 per cent a year, from roughly 14 per cent at the beginning of 1990.

As long as the exchange rate holds, foreigners are buying companies the value of which, in dollar terms, is likely to appreciate by at least 20-25 per cent a year.

The big danger is that the government will not be able to hold to its strong exchange rate policy for much longer. The market would then be forced to re-evaluate the value of its holdings. However, most stock market analysts reckon that the government can keep its exchange rate for the next couple of years. Thanks to big increases in foreign capital flows, the central bank now has \$12bn in foreign reserves

with which to defend the currency. Short-term interest rates, usually a leading indicator of imminent devaluation, are now at 22 per cent, the lowest level in a decade.

Foreigners, historically, have bought into major Mexican companies such as Telcel, Tamsa and Cifra through ADRs (American Depositary Receipts), which are listed in New York. At the end of February this form of investment accounted for \$2.1bn, 96 per cent of which was in Telcel. A further \$500m was probably invested in the four main country funds, and \$1.2bn in non-voting "B" shares listed in the Mexican bourse.

Foreigners are not allowed to

buy shares with voting rights, but since October 1988 they have been able to invest in Mexican companies which do not have non-voting shares through a trust run by National Financiera, the government development bank, which holds on to the voting rights. The trust has increased from \$50m at the beginning of 1990 to \$57m at the last count.

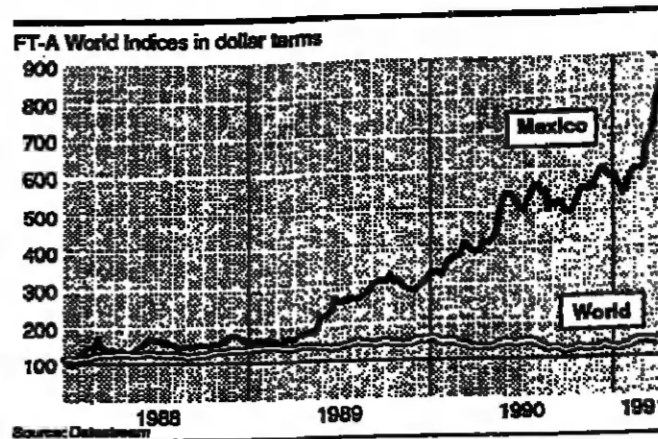
In all, foreign investment may be almost \$4.7bn, against a stock market capitalisation of \$35bn excluding government holdings. However, since a families who rarely trade their shares, only an estimated 20 per cent or \$7.5bn of the market is actually traded; in effect,

foreigners control about 60 per cent of the market's free float.

According to Baring Securities, which has recently opened a research office in Mexico City, foreign interest has centred on companies which sell in the domestic market, with a narrow product focus, low debt/equity ratios and shares that are relatively liquid. Of these the most actively sought after, and best performing, have been Telcel, up 54 per cent in the first quarter of this year, and Cemex, the cement company, up 74 per cent.

Foreigners, and domestic investors to a lesser extent, have tended to shy away from exporting companies for fear that the US recession would hurt their earnings. But now that the US recession looks to be almost over, at least by some accounts, investor attention may soon shift to the exporters.

The biggest short-term risk is that the US Congress will deny the US administration approval on what is called the fast track to negotiate the proposed free trade agreement between the two countries. The outcome of one foreign banker, the result of that would be disastrous for Mexico. And given the bourse's lack of liquidity, if the market starts to crack, foreigners could be the last ones out.



Source: Citigroup

EUROPE

Bourses end little changed as early gains evaporate

BOURSES finished mostly little changed yesterday, although Frankfurt showed a willingness to trade and there was higher volume in Stockholm, writes Chris Markes in Stockholm.

FRANKFURT was strong in the pre-bourse; the DAX index broke up through 1,590 early in the day, peaking at 1,591.96. Mr Barbara Altmann of B Metzler in Frankfurt said that some traders expected the market to test the 1,600 level, but that there was not enough investment buying to fuel the rise.

The DAX closed only 2.16 higher at 1,582.11 after a rise of 4.87 to 677.11 in the FAZ at mid-session. Volume rose from DM4.6bn to DM5.9bn; dealers said that there was a large buy order for Siemens, which led the most active list in turnover of DM1.6bn. The stock rose DM0.50 to DM597.

There were gains in energy and retailing, and profit-taking in carnations. RWE, the utility, forecast higher profits in 1990-91, and rose DM0.80 to DM297.50, prompting gains in Veba and Vag of DM0.40 to DM34.30, and DM0.40 to DM37.50, respectively.

Karstadt led retailers up with a rise of DM0.20 to DM38.50, while Volkswagen fell most steeply in motors with a drop of DM0.40 to DM382.50. Mr Altmann observed that the sector rotation that people were talking about involved traders, rather than institutional investment.

In engineering, KHD rose DM0.10 to DM204, for a two-day gain of DM17.50. Mr Kajo Neukirchen, its chairman, has been chosen to succeed Mr Detlev Rohwedder, assassinated while heading the east German Treuhander agency. Traders thought that Hoesch and KHD might come into a closer association; Hoesch, exceptionally strong this year on perceived management quality, fell DM0.70 to DM278.50 on profit-taking.

STOCKHOLM closed lower on concern about the weak outlook for corporate earnings in 1991. The Affarsvarlden Gen-

FT-SE Eurotrack 100 - Apr 9

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1116.13	1115.53	1115.50	1115.20	1113.90	1112.43	1112.32	1111.57

Day's High 1116.36 Day's Low 1111.13

Apr 8	Apr 9	Apr 10	Apr 11	Apr 12	Apr 13
1115.55	1119.54	1114.08	1116.86	1110.61	

Base value 1000 (pence)

eral index shed 8.5 to 1,089.5 while turnover rose to SEK42m from SEK40m. The index shed 0.3 to 1,089.5, while turnover rose to SEK42m from SEK40m. The index shed 0.3 to 1,089.5, while turnover rose to SEK42m from SEK40m.

ERIKSSON, the mobile phone producer, saw its investment certificates gain FF8 to FF789, with 108,850 traded, after it announced a smaller-than-expected fall in 1990 profits. The company also forecast a limited decline in this year's net profits, and said that it expected to maintain its dividend in 1991.

Hachette eased another FF4.40 to FF7219.50 after this week's news that it was freezing an 8.4 per cent stake held by 2 companies with rival links.

AMSTERDAM came off early highs on a lack of follow-through orders. The CBS Tendency index reached 97.4, before ending 0.4 up at 98.8.

Bols, the distiller, eased F11 to F119. After the company revealed 1990 net profit of F190.1m, up from F183.6m, and a rise in the dividend to F16.10 from F15.50.

Ahold, the retailer, shed

FI2.30 to FI63.50. The shares had risen before the company's debut on the US Nasdaq trading system on Monday. Amer, the insurer, rose FI 1.50 to FI61.10. It announced plans to launch ADRs from June 1.

MILAN was weighed down by options-related selling and political uncertainty. The Comit index eased 2.53 to 582.94. Eridania was the day's most noticeable casualty, falling 3.5 per cent at the opening, following the news late on Monday that it planned to raise capital by up to L20.1bn. It recovered slightly to be set officially at L7,040, down L210 or 2.9 per cent.

MADRID recovered from its recent weakness, as the general index gained 1.43 to 261.2. Turnover grew to about Pta14m from Pta9.5m. Tabacalera gained Pta50 to Pta4,970, following the news that Mr Miguel Angel del Valle-Inclan was being replaced as president.

REUSSELLS finished below its day's high, the Bols20 index ending 2.53 up at L201.72. Delhize, the retailer, rose again in active trading, but fell from its peak of BF7,840 to close at BF7,770, up BF10.

VIENNA rose to its fifth consecutive high, as the index added 3.10 to 385.37.

SOUTH AFRICA

GOLD shares led the market higher on firmer bullion prices. A weak financial round also gave support. The all-gold index climbed 26 to 1,089 and the industrial index rose 20 to a new high of 3,463. The all-share index firmed 29 to 2,978.

ASIA PACIFIC

Nikkei closes at day's low on reduced volume

Smaller non-life and casualty insurers were sought after, reports that an advisory committee to the Ministry of Finance was requesting an elimination of barriers which kept insurers out of the banking and securities business.

The Nikkei average slipped 29.26 to end at the day's low of 26,317.28. The index had established the day's high of 26,586.74 in the morning, soon fell on heavy programme selling. American houses with a bearish outlook on the market were said to be hedging their put options.

Volume fell to 430m shares from Monday's 500m as larger domestic institutions stayed on the sidelines. Foreign investors were net sellers yesterday. The Topix index fell 22.45 to 1,986.26, while, in London trading, the ISE/Nikkei 50 index eased 0.57 to 1,490.98.

Interest rate-sensitive issues remained weak on continued uncertainty about rates. Nippon Steel lost Y12 to Y490.

Stocks which had risen recently in active trading retreated on profit-taking. Hitachi Zosen, the most active issue, dipped Y10 to Y880 and Chiyoda fell Y40 to Y2,950.

Small-capital issues were favoured in preference to big board stocks. Mifco added Y150 to Y4,150 on encouraging profit projections for the current year.

Trading houses, which had gained ground ahead of Soviet President Mikhail Gorbachev's visit this weekend, receded. Buying could be part of a rescue plan for its out-of-the-money warrant, due to expire next month.

Sumitomo Realty & Development put on Y10 to Y1,270. Some traders noted that the company, fell Y30 to Y1,250 on reports of poor earnings for the year ending March 31 due to slow amino acid sales.

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Small non-life and casualty insurers were sought after, reports that an advisory committee to the Ministry of Finance was requesting an elimination of barriers which kept insurers out of the banking and securities business.

The Nikkei average slipped 29.26 to end at the day's low of 26,317.28. The index had established the day's high of 26,586.74 in the morning, soon fell on heavy programme selling. American houses with a bearish outlook on the market were said to be hedging their put options.

Volume fell to 430m shares from Monday's 500m as larger domestic institutions stayed on the sidelines. Foreign investors were net sellers yesterday. The Topix index fell 22.45 to 1,986.26, while, in London trading, the ISE/Nikkei 50 index eased 0.57 to 1,490.98.

Interest rate-sensitive issues remained weak on continued uncertainty about rates. Nippon Steel lost Y12 to Y490.

Stocks which had risen recently in active trading retreated on profit-taking. Hitachi Zosen, the most active issue, dipped Y10 to Y880 and Chiyoda fell Y40 to Y2,950.

Small-capital issues were favoured in preference to big board stocks. Mifco added Y150 to Y4,150 on encouraging profit projections for the current year.

Trading houses, which had gained ground ahead of Soviet President Mikhail Gorbachev's visit this weekend, receded. Buying could be part of a rescue plan for its out-of-the-money warrant, due to expire next month.

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